

OVERSEAS NEWS

PROFILE OF STEINKÜHLER

I. G. Metall's most likely man

BY PETER BRUCE IN BONN

LIKE MANY of his countrymen, Franz Steinkühler likes an elongated turn of phrase. It is, he says, "not improbable" that he will be elected president of the biggest trade union in western Europe, the I. G. Metall, in Hamburg this week.

Charming, and with a reputation for being cruel to employers, he has wanted the job for a long time but his age has always been a problem.

Even now, at 49, his election which is a certainty, will be a break with tradition. I. G. Metall's 2.7m members have

generally preferred older men. Doubts about his age, however, pale next to what are, for the conservative government and West Germany's big motor, steel and engineering industries, serious questions about his commitment to the gentle consensus that has governed employer/union relations since the end of the war.

"Some employers are taken aback by the fact that I take problems to them direct and unvarnished," he said in an interview in the summer. As a metalworker's leader in Stutt-

gart, Mr Steinkühler, in his mid-thirties, led, and won West Germany's first-ever strike not called about pay.

Although he has led other strikes since, his fame, and the reason employers fear his election, was sealed in 1984 when he masterminded a strike for a shorter working week. It brought the West German motor industry to a standstill for seven weeks in the summer.

Mr Steinkühler's simple tactic was to organise strikes in a few key component supplier

factories and allow those laid off elsewhere as a result to be paid benefit by the state.

The government closed the benefits loophole earlier this year, but not before Mr Steinkühler's union had led a six-month-long bitter and public campaign against the move.

The strike over working hours and the campaign to keep the benefits door open have helped make relationships between the government and the unions worse than at any time since the end of the Second World War.



Franz Steinkühler: outside the rules

East bloc dissidents issue joint appeal

By Leslie Collier in Berlin

MORE THAN 100 dissidents in four East European countries have pledged to "struggle" for political democracy, pluralism and the "peaceful reunification" of Europe.

Their rare joint appeal was issued to mark the 50th anniversary of the Hungarian uprising on Thursday. It was signed by leading opponents of the communist governments from Hungary, Poland, Czechoslovakia and East Germany.

Among the 49 Hungarian signatories was Mr Laszlo Rajk, son of the Communist Foreign Minister executed after a show trial in 1949.

The 29 Polish signatories included Mr Adam Michnik and Mr Jacek Kuron. Supporters of Czechoslovakia's Charter 77 civil rights group and the East German Independent Peace Movement also signed the statement.

A preface to the appeal said that since suppression of the Hungarian, Polish and East German Spring of 1968 life "for many became easier" but that the "basic demands" of the uprising were not realised.

Plans to liberalise EEC steel cartel face resistance

BY QUENTIN PEEL IN BRUSSELS

PLANS TO liberalise the EEC's steel cartel, which sets fixed prices and production quotas for two-thirds of Community steel output, seem certain to run into strong opposition when industry ministers meet in Luxembourg today.

The determination of the European Commission to press ahead with liberalisation of the steel regime, to scrap all quotas by the end of 1987, faces resistance from many member states under pressure from their own major steel producers.

West Germany in particular, backed on different issues by Belgium, Luxembourg, France, Italy and the UK, is opposed to moving so fast in dismantling the controls set up in 1960 under the so-called Davignon plan.

The regime has been remarkably successful in allowing steel production capacity to be cut by more than 31m tonnes, to the present level of around 140m tonnes in the Community states involved (excluding Spain and Portugal). However, the Commission estimates there will still be excess capacity of nearly 22m tonnes in 1989 - which can be removed under the incentive of increased competition.

The plan before the ministers is to take the following categories out of the quota system - galvanised sheet, wire rod, merchant bars, and the lighter variety of heavy sections - amounting to some 20 per cent of production.

The major steel manufacturers are strongly opposed to further liberalisation at the present, arguing that the market is too weak, and prices will fall below viable operating levels as a result.

The Commission maintains, on the other hand, that the conditions of "manifest crisis" in the industry, which justified the creation of the EEC cartel system, have now been removed. The present quota system discriminates against small independent producers - strongest in Italy - who could otherwise take a larger share of the market for the products they propose to liberalise, officials say.

West Germany, once most committed to a liberal steel regime in the Community, now seems the most determined to preserve the cartel. German manufacturers have been particularly vociferous in lobbying - partly, Brussels officials believe, because they also face repayment of a portion of their state aid because of making exceptional profits in the first half of the year.

Neue Heimat's bankers extend debt moratorium

BY ANDREW FISHER IN FRANKFURT

"IS THE creditworthiness of Neue Heimat now greater than that of the old Neue Heimat?" The question was put to Mr Horst Schiesser, the Berlin businessman who owns the financially troubled housing group, after he had spent the best part of nine hours trying to soothe the fears of banks which have lent it very large sums of money.

His answer was mildly reassuring, the more so as he had just announced an agreement with the banks to continue a moratorium on debt repayments. "I should like to say,

West German police yesterday arrested Mr Alfons Lappas, chairman of the trade union-owned holding group, BGAG, for refusing to testify to a parliamentary commission in Bonn about the Neue Heimat sale.

Mr Lappas was reportedly in principle, yes."

Mr Schiesser, who owns a chain of bakeries and also has other business interests, last month paid a nominal DM 1 (35p) to purchase Neue Heimat, with around 190,000 homes,

arrested in Hamburg after attending the opening of the metal workers' union conference. Last week the committee, having been told by Mr Lappas that he would not discuss business secrets with them, applied for a court order to jail him.

He told the committee that from the trade unions in a deal which has caused extensive political ripples and tarnished the standing of the union movement.

After years of scandal and bad management, Neue Heimat

was sold to Mr Schiesser by the trade union federation, the DGB.

Outraged in a different way by the affair was Mr Manfred Meier-Freschary, the former Dresdner Bank director who had been asked by BGAG to advise on how Neue Heimat could be restored to financial health.

He told the committee that he knew nothing of the sale to Mr Schiesser while he was talking to creditor banks—they are owed DM 12m of Neue Heimat's total DM 17m debts—about sorting out the housing

concern's muddled affairs. "I felt I had been duped."

Since the banks had also been left in the dark about the sale to the Berlin bakery owner, last Friday's talks were crucial to his chances of trying to turn Neue Heimat round.

Mr Schiesser professed himself satisfied with the meeting, at which the banks agreed to set up a working group to coordinate the interests of all bank creditors.

They also agreed to maintain the debt moratorium until the end of 1988.

Coalition fails to solve Flemish dispute

By Tim Dickson in Brussels

BELGIUM'S centre-right coalition government will once again be fighting for survival this week after the collapse of efforts to settle the country's bitter language dispute.

The new crisis was precipitated late on Friday night when a compromise "solution" backed and forced the resignation of Mr Charles-Ferdinand Notomb, the Interior Minister.

Earlier on Friday Mr Notomb had confirmed the appointment of Mr Roger Wynaets as mayor of Les Fourons, the tiny area close to the Dutch border where a previous mayor Mr Jose Happort was recently sacked for refusing to display an adequate knowledge of the official local language, Flemish.

Mr Wynaets, who is a French-speaking Flemish teacher, is apparently an ideal candidate, had second thoughts. He announced he would only accept the post on conditions which would have been unacceptable to the Flemish-speaking Christian Democrat elements in Mr Wilfried Martens' four-party coalition government.

The situation is made no easier by the fact that Mr Happort was on Friday elected first alderman of Les Fourons, de facto mayor in the absence of a new appointment.

Observers in Brussels last night noted that Mr Josef Michel—the new Interior Minister sworn in on Saturday—not only has experience of the job in a former administration but also has first-hand knowledge of dealing with Belgian community affairs.

Sabena and SAS discuss co-operation

By Kevin Done in Stockholm

TWO European airlines SAS (Scandinavian Airlines System), and Sabena, the Belgian state-owned airline, have decided to intensify talks about future co-operation, chiefly on intercontinental routes.

Much of the airline industry is losing money on its intercontinental traffic, and SAS and Sabena are discussing forms of co-operation which would make their long-haul routes more competitive.

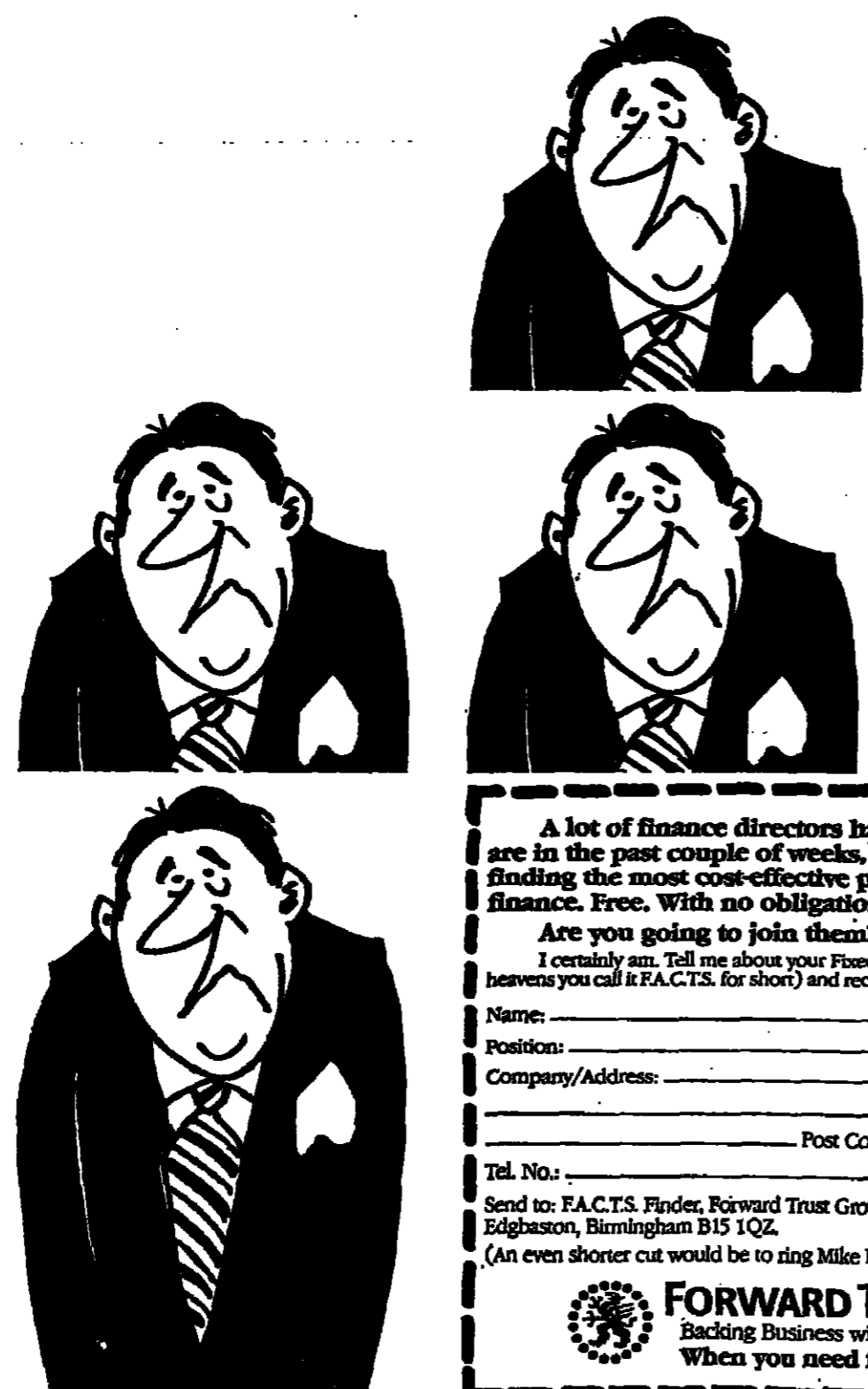
Some of the smaller and medium-sized European airlines are concerned that in an era of free competition they will face a tough fight to maintain their intercontinental networks and survive as more than just feeder services to some of the main European airports such as London, Frankfurt or Schiphol.

"We must develop the Scandinavian traffic system with a strong intercontinental network," said an SAS spokesman.

The advantage of a co-operation scheme with Sabena would be that the two airlines could exploit each other's existing strengths. SAS would clearly like to be able to exploit the catchment area for traffic around Brussels.

Since earlier this year SAS has had no flights to Africa, whereas Sabena is relatively strong on African routes. By contrast SAS has more fully developed services to south-east Asia.

SAS is also holding separate talks with Finnair, the Finnish airline about possible co-operation on long-haul traffic.



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OVERSEAS NEWS

Moscow expels five US envoys 'for illegalities'

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION yesterday expelled five US diplomats in an apparent act of retaliation for the expulsion of 25 Soviet diplomats at the UN headquarters in New York...

Turkish banker to head key ministry

By David Barclay in Ankara

THE GOVERNOR of the central bank Mr Yavuz Canevi, is to become Under-Secretary of the Treasury and Foreign Trade...

REPUBLICANS VULNERABLE IN SENATE ELECTIONS

Reagan campaigns for his supporters

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

ALMOST three weeks after its scheduled adjournment, the 99th US Congress has completed work on a plethora of legislative proposals...

Republican candidates. It also explains the unprecedented media blitz the White House launched last week following the Reykjavik summit meeting with Soviet leader Mikhail Gorbachev.

Many question whether Mr Reagan can accomplish his ambitious goal. His prospects have hinged partly on the fact that Moscow too has found it in its interests to say that the summit was a success.



Dr Garret Fitzgerald: spirited rearward action

Fianna Fail opinion poll lead

By Hugh Carmey in Dublin

IRELAND'S fragile Fine Gael-Labour coalition, which this week must try to win a knife-edge confidence vote in parliament...

Dr Garret Fitzgerald, the Prime Minister, fought a spirited rearward action over the weekend, insisting that the government would win Thursday's confidence vote.

With government and opposition parties divided in theory only by the speaker's casting vote, the coalition cannot afford slips if it is to continue to the end of its term in a year.

In an attempt to halt a surge in interest rates which has followed big capital outflows due to the cheapness of sterling and worries about overruns on this year's current budget deficit...

He blamed lack of British action to control sterling as the chief cause of the rising cost of Irish money.

In spite of his insistence that the government would survive, Dr Fitzgerald did look forward to a general election in his speech to the Fine Gael annual conference on Saturday night.

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Mr Haughey's personal standing has also forged ahead to 40 per cent, compared with 27 per cent for Dr Fitzgerald.

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Kuwait demand holds up Opec agreement

BY RICHARD JOHNS IN GENEVA

AGREEMENT BY the Organisation of Petroleum Exporting Countries (Opec) on an extension of its interim pact on output control and quotas is continuing to be held up by Kuwait's surprising demand for a 10 per cent increase in its quota over the next two months.

Sheikh Ali Khalifah al Sabah, Kuwaiti Minister of Oil, said yesterday that his assent to any Opec accord was dependent on the others conceding his state an extra 90,000 barrels a day on top of the 900,000 b/d permitted under the agreement covering September and October.

Ministers yesterday were engaged in intensive consultations over how the arrangement might be amended to give up to 200,000 b/d of production to members most insistent of obtaining a larger share.

Kuwait and Saudi Arabia appeared to have dropped their objections that a "roll over" of the interim pact, should be conditional on a fundamental renegotiation of the quota system, with the aim of introducing a new one in 1987.

Iran seemed almost certain to reject any revision accommodating Kuwait's demand. Yet, in practice, this may not matter to the market because its exports are being constrained as a result of Iraqi military pressure on its Kharg Island export terminal.

Western analysts now believe that the Kuwait Oil Minister was given no room for manoeuvre because his Government is determined to present a "triumph" in Opec to placate domestic public opinion.

This follows the unpopular decision of the ruling family to suspend the National Assembly early in July — a measure sought by the Saudi regime.

Venezuela and Iran, however, would have acute difficulty in justifying a higher quota for Kuwait which still enjoys substantial financial reserves.

At the weekend Saudi Arabia once again threw its weight behind Kuwait's claim which was still opposed by most other members.

He expected an increase for Kuwait of 45-50,000 b/d and another 45,000 b/d from the beginning of December. Failure to reach an accord could mean a collapse in prices, he warned.

Asked yesterday afternoon whether Kuwait would be satisfied with an extra allocation in two tranches, Sheikh Ali Khalifah said: "I don't know. If that is the conference decision I would call Kuwait but I wouldn't call Kuwait for a single barrel less than 90,000 b/d."

Kuwait's position all along had been to accept nothing less than parity with Libya which has a quota of some 950,000 b/d.

On Saturday following an adjournment, called partly so that Saudi and Kuwaiti delegations could consult their capitals, the official Saudi Press Agency said that "in continuation of the great sacrifice the Kingdom has made to safeguard Opec and consolidate its progress," it was prepared to stick to its current quota of 4.353 b/d until the end of the year.

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WHICH BRITISH BANK HAS GROWN TO BE THE ELEVENTH LARGEST IN THE UNITED KINGDOM IN THE SHORT PERIOD OF JUST 17 YEARS?

Dollar's Fall Aids Multinationals That Work the Currency Markets. THE BIG U.S. MULTINATIONAL COMPANIES that have benefited from the dollar's 18-month descent have vastly different strategies for dealing with volatile foreign-exchange markets.

Natural rubber price agreement talks collapse

BY WILLIAM DULLFORCE IN GENEVA

RUBBER producing and consuming countries have failed in their third attempt to negotiate a new price-stabilising agreement.

Talks collapsed late on Friday mainly because the consumers insisted on a mechanism allowing for more frequent adjustments of rubber prices in line with market trends.

Mr Ahmad Farouk, the producers' spokesman, said they would urgently convene a meeting of the Natural Rubber Producers' Committee.

The current International Natural Rubber Agreement continues to the end of October 1987 so the failure of the talks will have no immediate effect, although there may be some market reaction today.

Both producers and consumers will, however, have to consider the consequences if they have to start liquidating the present 365,000-tonne buffer stock next October.

The agreement provides for liquidation over a three-year period. Funds equivalent to some \$350m (£245m) are tied up in existing stock.

There was bitterness among participants after the collapse of the conference. It had resumed in a promising atmosphere on October 6. The producers had then appeared to open the way for a settlement by dropping their demand for a new reference price of 265 Malaysian-Singapore cents a kilo and agreeing to accept the current reference price of 201.86 cents as the starting level for the new agreement.

On Friday, however, Mr Farouk said the outcome left serious doubts as to whether the big consuming countries, the US, the EEC and Japan, had really wanted a new agreement. Producers now thought it might be the lesser evil to commit rubber to free market forces.

Differences over two points precipitated the final collapse of the talks. One was the producers' demand that the reference price be expressed in Malaysian ringgits instead of the combined Malaysian-Singapore currency measure. Malaysia, by far the biggest producer, provides about 45 per cent of world exports.

The consumers wanted to keep the present currency arrangement. They also held out for price reviews at 12-month intervals instead of 18-month intervals and the introduction of automatic price adjustments.

Investment to head EEC-Asean meeting

By John Murray Brown in Jakarta

MOVES TO try to improve the climate for European investors will top the agenda at the EEC-Asean foreign ministers' meeting in the Indonesian capital Jakarta today.

According to an EEC-Asean joint report on investment, the main obstacles to investment continue to be: the lack of trade between Asean partners; the complexity of investment regulations; the wide margin of discretion in applying the regulations; inadequate protection of intellectual property rights, such as patents and trademarks; and inadequate information about investment opportunities.

Although European investment in Asean, comprising Thailand, Malaysia, Singapore, Indonesia, the Philippines and Brunei, has shown a marked increase in the past decade it is still far behind that of Japan, Asean's leading investment partner, and the US.

The report notes that the growth in investment is concentrated in banking and finance rather than manufacturing. Ninety per cent of Britain's investment is targeted at Malaysia and Singapore, for example, with whom the UK has historic links.

Manila hopes to better Mexico's debt deal

BY STEVEN B. BUTLER IN MANILA

THE PHILIPPINES will be seeking terms more favourable than those granted to Mexico when it begins debt rescheduling negotiations with 383 commercial bank creditors in New York next week, said Mr Jaime Ongpin, the Philippine Finance Minister, at the weekend.

"The Mexico deal has opened a new horizon," he said. "The Philippines has \$3.5bn (£2.5bn) of commercial debt that falls due during the next six years, in addition to previously rescheduled loans from 1983-85 which would be falling due next year.

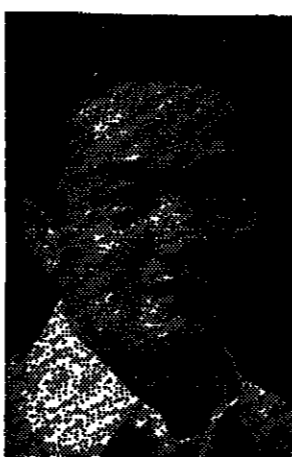
Mr Ongpin said he expected creditors would agree to match the 20-year maturity that was agreed to with Mexico, and would better the 13/16 percentage point over Libor (London interbank offered rate) in the Mexico package.

The Philippines had a total foreign debt of \$26.4bn at the start of the year, although this figure is expected to be re-valued upward by about \$1bn because of the higher dollar valuation of yen-dominated loans in the country's debt portfolio.

Mr Ongpin said that without rescheduling the Philippines' debt service ratio would range between 40 and 50 per cent over the next five years. The Government is seeking to lower this to between 25 per cent and 33 per cent to allow the economy to grow faster.

Government economic plans call for the economy to

Accord reached on customs contract



Jaime Ongpin: "Higher revenues"

THE way appears to have been cleared for Societe Generale de Surveillance (SGS) of Switzerland to be awarded the contract to pre-inspect cargoes destined for the Philippines, Stephen Butler reports from Manila. This follows the resolution of a dispute in the Philippine Government.

The compromise agreement between the Finance Ministry and the Customs Bureau will reduce the number of countries in which SGS was planned to act as an agent for the Philippine Government, while the Philippines will despatch more of its own customs attaches overseas.

Mr Robert Tamada, customs commissioner, had objected to the cost of the

SGS service.

Mr Jaime Ongpin, Finance Minister, argued that the cost was irrelevant because of higher revenues that would accrue to the Government.

During a one-and-a-half month period in which SGS was inspecting Philippine-bound cargo 75 per cent of cargoes were shown to be under-valued or misdeclared. SGS was able to recover revenues equivalent to 11 times the contract value, which is based on 0.35 per cent of the value of cargoes inspected.

Mr Ongpin said that the contract would be worth 300m pesos annually (£10.1m) based on projections from the one-and-a-half month period.

expand by 6.4 per cent annually over the next six years, although some economists consider this target optimistic.

Mr Ongpin said growth this year would be flat or slightly positive, expecting growth in the second half to compensate for the 3.4 per cent decline in the first six months.

He was the most optimistic yet that the economy had moved onto the right track, with growth in imports preceding an expected rise in employment and production.

According to central bank statistics, non-oil imports, excluding raw materials for garments and semiconductors to be re-exported, rose by 33 per cent in dollar terms during the first eight months of the year. Imports of raw materials and intermediate goods rose by 47 per cent, while capital goods imports increased by 24 per cent.

Mr Ongpin based his optimism partly on the strengthened fundamentals of the economy — the stable

exchange rate, low inflation, and the end of capital flight that plagued the economy until early this year.

The International Monetary Fund (IMF) is expected to approve an agreement with the Philippines next Friday which will lead to the availability of a \$300m compensatory finance facility in November.

This will automatically trigger the release of \$350m of new money from commercial banks that was left withdrawn when an

earlier IMF agreement was suspended in April.

This will in turn trigger approval of a \$300m World Bank economic recovery loan in December. The World Bank is also encouraging the Japanese Export-Import Bank to co-finance another \$300m loan. A further \$300m loan involving the Asian Development Bank is a possibility.

Mr Ongpin said that last week, applications to participate in the government's debt-for-equity conversion programme had reached \$182m, with \$18m approved. The programme gives creditors access to cheap pesos for investment in the country.

The government has also announced that an auction system for government treasury bills would be reintroduced from next Friday. Mr Ongpin predicted that this would lead to further declines in interest rates, now about 12.75 per cent for treasury bills.

The government introduced negotiated treasury bills at high interest rates — up to 50 per cent — in 1983 to remove excess liquidity from the economy and reign in a raging inflation that peaked at 50 per cent in 1984.

The measures brought the economy to a halt, with gross domestic product shrinking by more than 9 per cent over 1984 and 1985. Mr Ongpin said the decision to return to an auction system reflected the stability that had returned to markets.

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UK NEWS

BBC faces row over political independence

BY DAVID CHURCHILL

THE BBC is facing a row over its political independence following a decision by the BBC's Governors to try to reach an out of court settlement with two Conservative MPs who were taking libel actions against the Corporation.

Settlement of the libel actions, which has still to be formally announced in court, was understood to have been reached late last week following a meeting of the BBC's Governors last Thursday.

The libel actions were brought by the two MPs - Mr Neil Hamilton and Mr Gerald Howarth - following a Panorama programme broadcast in February 1984.

This programme, entitled Magpie's Militant Tendency, purported to show that both MPs were linked to extremist right-wingers trying to infiltrate the Conservative Party.

The action brought by Mr Hamilton was already under way but was halted on Friday so that out of court discussions could take place.

The proposed settlement is understood to involve paying damages of £20,000 each to the two MPs as well as their full legal costs - estimated at £200,000 at least - and to broadcast an apology. The BBC said yesterday that it was unable to make any comment.

However, the BBC's apparent climbdown over the libel actions is likely to lead to a public row over its journalistic independence. BBC journalists and senior management are understood to be concerned at the Corporation's failure to support the Panorama programme, especially since an internal investigation had suggested that the BBC had a strong defence to mount against the libel actions.

Some BBC journalists are believed to see the case as similar to the controversy surrounding the Real Lives documentary programme last year when changes were made in a programme about Northern Ireland.

Mr John Foster, broadcasting organiser for the National Union of Journalists, said that BBC journalists were appalled at the apparently chaotic manner in which a decision to settle the libel action had been reached.

"In the last few years the NUJ has been forced on several occasions to defend the reputation and standards of the BBC in the face of management weakness or political interference," he added.

The BBC was also criticised yesterday by another Conservative MP for wasting public money over defending the libel actions.

Peter Riddell outlines Conservative legislative plans

Government gets its second wind

A MUCH clearer idea of the Government's legislative plans up to and beyond the next general election has emerged since the Conservative Party conference and on the eve of the reopening of Parliament after the summer recess.

The striking feature of the conference was that the Government appeared to get its second wind. Ministers were eager to demonstrate that they had not run out of ideas, despite over seven years in office. As Mr John Moore, the Transport Secretary and rising star of the Conservatives' free-market wing, said on Friday: "There is a new confidence in the party. In Bournemouth we showed that we have lost none of our radicalism."

At the conference itself only snippets were given about long-term thinking - for example on the deregulation of rented housing - partly because firms decisions have not

yet been taken in many areas. Indeed, the dozen party policy groups set up to prepare ideas for the manifesto have only just started work.

Nevertheless, in a number of key areas the outlines of manifesto commitments and post-election policy are apparent.

● Privatisation of most of the rest of state industry. Water authorities are definitely on the list, which may also include electricity supply and Post Office as well as the injection of private capital into parts of British Rail, British Coal and British Steel.

● Approval of expanded nuclear power programme depending on timing of the decision of the inquiry into Britain's proposed first FWR reactor at Sizewell in Suffolk.

● Reform of personal taxation system with introduction of transferable allowances between husbands and wives.

● Further instalment of trade union law hinted at, but nothing firm. Action could include tightening of requirements on ballots on union elections and, less likely, measures affecting strikes in essential services and legally enforceable contracts.

● Rates reform in England and Wales to be top priority post-election and changes to be introduced by 1991.

● Ending of rent controls on new tenancies agreed with new category of registered landlords, but not affecting existing tenancies. Also measures to fulfill pledge of 1m more home owners by 1991.

● Major educational reform. Details undecided but likely to include expansion of parental choice and financing schools on an open entry basis of payments per pupil. Also a new package of loans, grants and

sponsorship for financing higher education.

● Further measures to encourage share ownership to fulfil pledge of doubling number of individual direct shareholders in life of next parliament.

However the postponement until after the next election of some controversial measures such as water privatisation and English and Welsh rates reform will mean a lighter Queen's Speech on November 12 than in recent years. The Cabinet's legislation committee has prepared the 1986-87 programme on the assumption that all the proposed bills will become law by the end of July next year, without the usual spillover session at this time of year.

The aim is to clear the decks by the start of the 1987 summer recess, to leave open the option of an autumn general election.

Airlines support launch of travel card

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AN AIR travel credit card, Airplus, has been launched by a company called the Airplus Company, under the guidance of 13 major European airlines which are members of the Association of European Airlines (AEA).

Mr David A. Hoemer, a former senior executive with a leading credit card company, has been ap-

pointed managing director. The card is designed to provide corporate business expense services related to air travel, car hire, restaurants and hotels, and will be available next year.

Airlines prepared to accept the card include Aer Lingus, Air France, Alitalia, Austrian Airlines, British Airways, Finnair, Iberia,

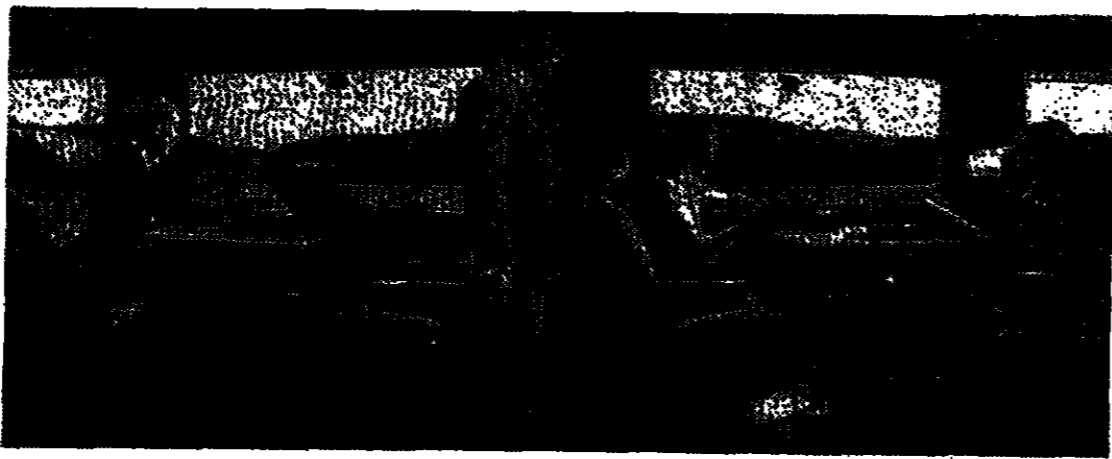
Icelandair, KLM, Lufthansa, Sabena, Swissair and TAP.

Speaking on behalf of the airlines, Mr Karl-Heinz Neumeister, secretary-general of the AEA, said that the Airplus card "has been designed to match current and future electronic transaction systems such as airline automated ticket machines, and has been made avail-

able by the full backing of the acknowledged business travel experts - the airlines.

"Europe will now have its own multi-function business card from the industry that actually provides the service - rather than just the bills. This may also provide a strong link between airlines and travel agents."

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UK NEWS

British paper industry 'on expansion path'

BY TONY JACKSON

THE UK paper industry is back on the expansion trail, according to a study from stockbrokers Alexander, Leung & Cruickshank. Capacity, at 4.47m tonnes, has risen by some 16 per cent from its low point, eight years ago of 3.82m tonnes. The firm's UK Paper & Packaging Directory, a standard reference source for the industry, takes its most positive view of the industry for a number of years. The study says that 30 per cent of present capacity is represented by new or rising forces in the industry.

These include Davidsons, which has become the UK's third largest producer with capacity of 388,000 tonnes, and D.S. Smith, which is now fourth largest with 282,000 tonnes. A further 21 per cent of capacity consists of 18 papermakers who have increased their combined output since 1978 by more than 20 per cent, from 777,000 tonnes to 944,000 tonnes. These producers have moved against the general trend, which has left current capacity still 10 per cent below the 1978 peak.

The study comments that a number of new forces have emerged on the stock exchange, concentrating on paper and related sectors. These include Davidsons (part of BFP Industries), Ferguson Industrial Holdings, Low & Bonar, Norton Opex and D.S. Smith.

Then come what the study terms "traditional forces", with 36 per cent of industry capacity, which have seen output fall by nearly half since 1978, from 2.82m tonnes to 1.62m. "The decline now seems over", says the study.

The study comments that a number of new forces have emerged on the stock exchange, concentrating on paper and related sectors. These include Davidsons (part of BFP Industries), Ferguson Industrial Holdings, Low & Bonar, Norton Opex and D.S. Smith.

New gas fields can vary output

By Lucy Kellaway

TWO new gas fields in the North Sea, which will be able to meet about 7 per cent of average winter gas needs in the UK, are ready to start production.

The fields, Sean North and South, have cost £300m to develop, and are unusual because they are able to vary output to meet demand. The only other gas field of this type is British Gas's Morecambe Bay field.

The fields, which are located about 70 miles off the Norfolk coast, have been developed by Shell and are the largest investment that the company has made in the last 15 years in the southern gas basin.

The Sean fields will only produce gas during the peak winter months and will be able to meet demands from British Gas for up to 600m cubic feet a day.

In return for the uncertain production flow, the partners in the field - Shell, Esso, Britoil and Union Texas - will receive a standing charge based on available capacity from British Gas.

Chemical research targets pinpointed

BY DAVID FISHLICK, SCIENCE EDITOR

ELECTRONICS, advanced materials, health care and food are the four key targets on which the British chemical industry should concentrate in the 1990s.

They are the markets picked out in a study by the Chemical Industries Association, the trade body for the £2.5bn industry. Its first assessment of priorities for research and

development, urges the industry to focus on "emerging areas which are likely to be additional major contributors to our industry in the 1990s".

Although the chemical industry is Britain's most research-dominated industry, spending £840m last year, there is an "abysmal lack of knowledge" about the resources available

to the smaller companies in support of new research targets.

First of the main new areas of opportunity is electronics and optoelectronics, one of the fastest-moving areas of research "with physics and chemistry working hand in hand to break new ground in terms of purity and physical properties as well as chemical function."

US tourism decline 'disastrous for hotels'

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

THE SHARP decline in numbers of US tourists to Britain this year is likely to lead to a "dramatically disastrous year for the hotel trade," according to the edition of the Good Hotel Guide published today by the Consumers' Association.

The guide says the stay-away Americans - some 40 per cent fewer have come to the UK so far this year - is likely to put some small luxury hotels in financial difficulties. "Big international chains can more easily weather one catastrophic year than an individual owner," points out Mr Hilary Rubinstein, the guide's editor.

Yet, even if fears of terrorism and the Chernobyl nuclear disaster had not discouraged American tourists, then Mr Rubinstein says the attitude of hotel industry staff towards Americans may have led to fewer coming anyway.

"There is a growing fashion to denigrate Americans. Behaviour as distasteful as anti-Semitism and mindless prejudice against women

or blacks or gays," says Mr Rubinstein.

In one sophisticated hotel in the Scottish Highlands, he reports, the owner openly harassed his anti-American views in the bar and continued unabashed even when Mr Rubinstein told him that his travelling companions were Americans.

Even at Civeden, Britain's most expensive country house hotel, Mr Rubinstein says that a staff member "volunteered his pleasure and relief that there would be a preponderance of British guests: Americans, he said, were just a lot of trouble".

Mr Rubinstein adds that "if an American visitor had protested vociferously at the kind of inept service that we experienced that weekend, then bully for him".

This tenth edition of the guide, however, praises the "great improvement" in hotel food over the decade and adds that hotel standards have risen steadily.

But the guide is continuing its campaign against the "scandalous

anachronism" of service charges in hotels. "We have no wish to reflect the generous impulses of those who want to reward special kindnesses beyond the call of duty, but the present practice is just so much licensed beggary - licensed by custom if not statute," the guide says.

Hotel customers are urged to embark on a campaign of "civil resistance" to speed the end of service charges. "If your bill says 'service not included,' write on it 'Why not?'" the guide suggests. "If your bill says a service charge has been added and you've received shoddy service, don't pay up without a fuss," it adds.

The top award for "comprehensive excellence as a luxury country house hotel" went to the Ston Easton Park hotel in Ston Easton in Somerset. The best town hotel was The Castle, in Taunton, Somerset, while the best seaside resort hotel was the St Tudno Hotel, Llandudno, in North Wales.

One smaller tour operator, John Hill Travel of Richmond, Surrey, was quick off the mark yesterday to offer holidays to the 1992 Olympics in Barcelona. Customers will pay a £50 deposit which will then be invested in British Airways shares when they come onto the market next year. These shares will then be sold in 1991 to pay for the cost of the Olympic holiday.

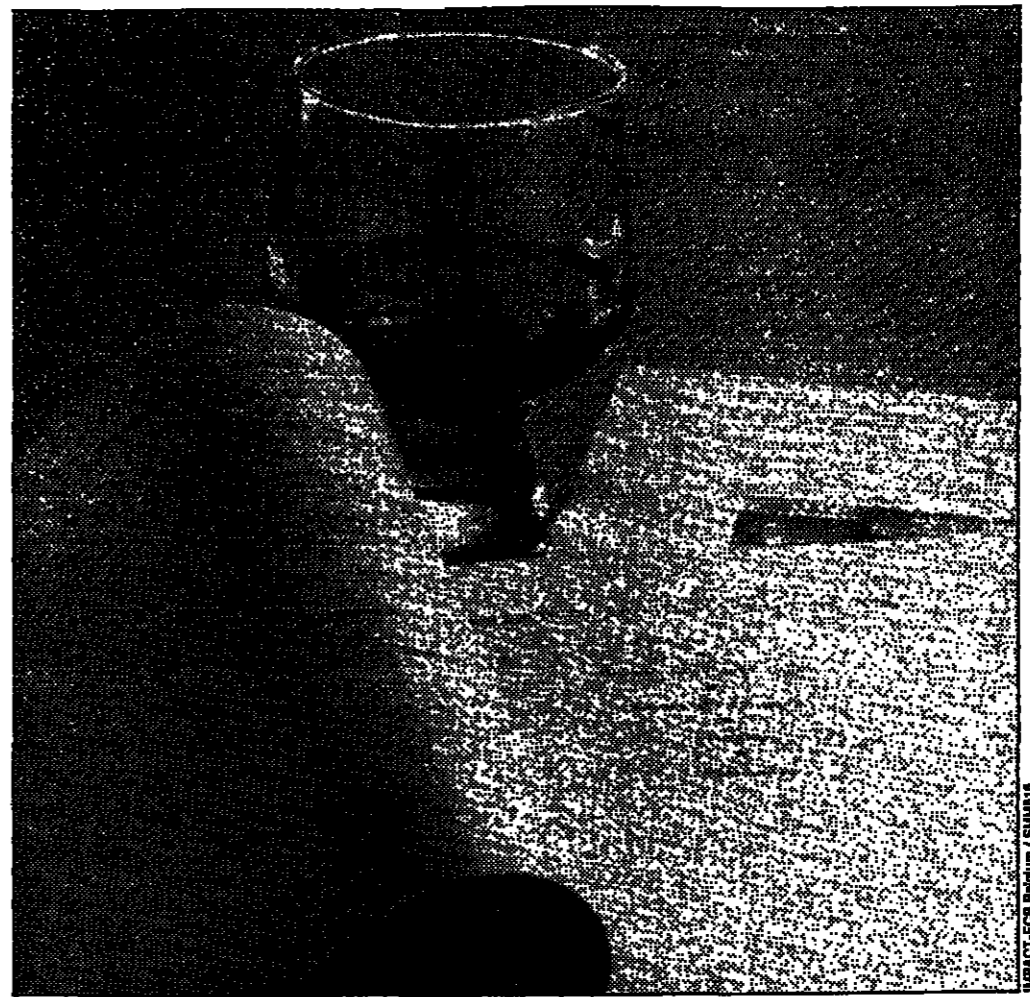
"1986 Good Hotel Guide, Consumers' Association and Hodder & Staughton, £9.95.

age tour operators continued yesterday with Horizon Holidays cutting the price of 50,000 holidays to Majorca by 10 per cent. This follows Thomson Holiday's move on Friday of cutting up to £40 for some of its Majorca holiday next summer booked through its Skytours subsidiary.

Intasun, another of the leading operators, is today launching the first of nine summer holiday brochures and is expected to include a number of promotional price cuts.

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"1986 Good Hotel Guide, Consumers' Association and Hodder & Staughton, £9.95.



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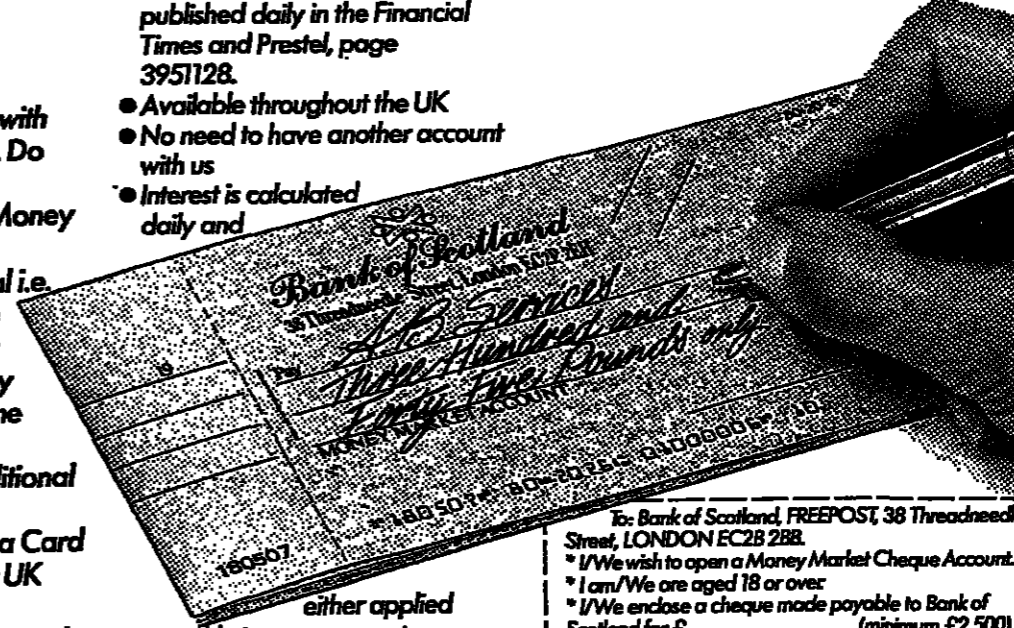
7.85% = 8.13% = 11.46%

Net Rate | Net Compounded Annual Rate taking account of monthly interest remaining invested. | Gross Compounded Annual Rate to Basic Rate taxpayers.

10.50% = 11.02%

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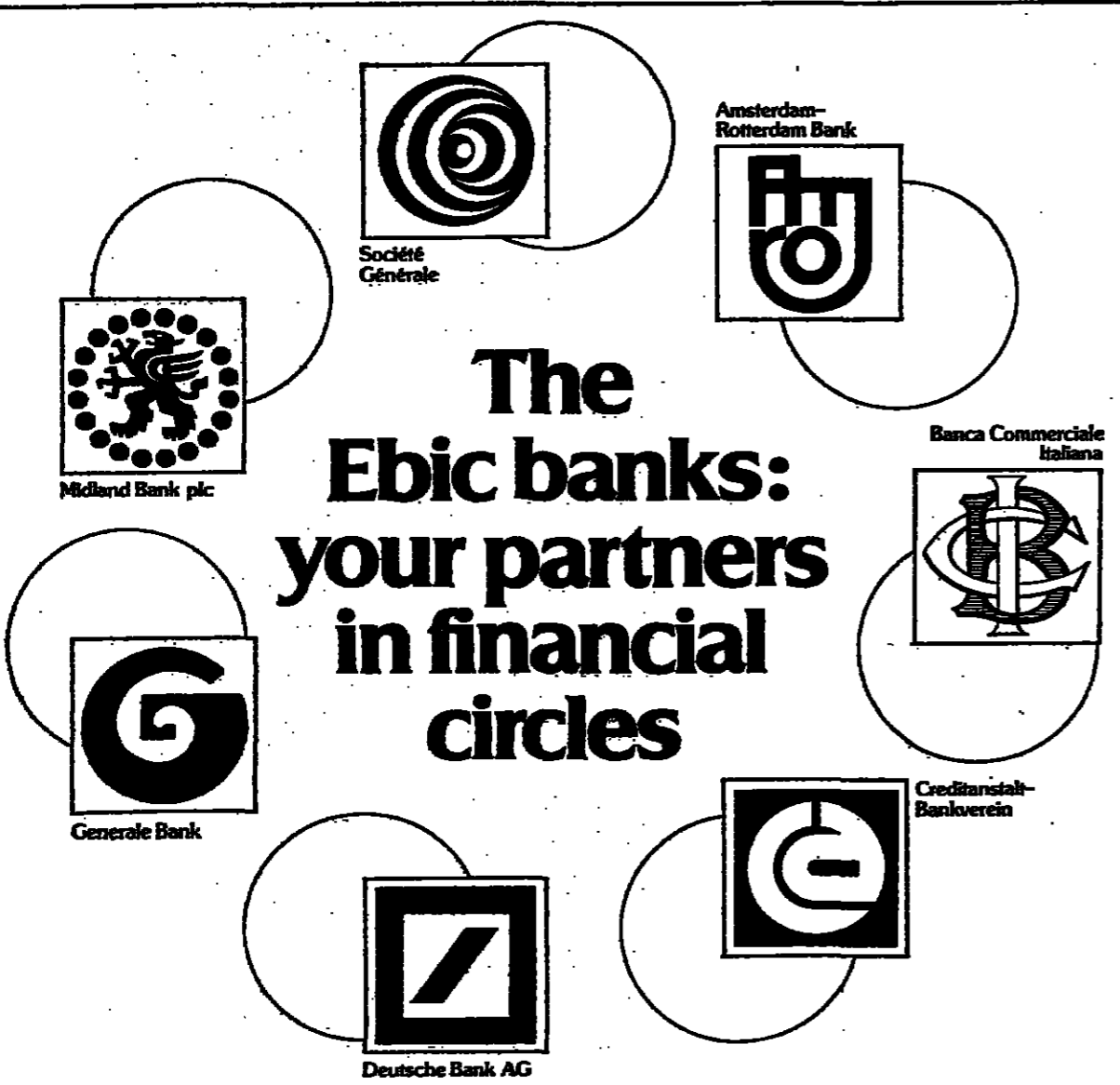
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UK NEWS

BRITISH SIGHTS SET ON BECOMING BIGGEST FINANCIAL MARKET

City sets out securities challenge

BY BARRY RILEY

LONDON'S CHALLENGE to the bourses of Continental Europe was clearly set out at last week's European analysts' congress in Florence, Italy, with a call to continental securities firms to join the new international stock exchange in London and help to build it into the world's biggest marketplace.

Mr Stephen Raven, a London stock exchange council member who has been closely involved with the exchange's proposed merger with Ivo, the international dealers' organisation, said that the stock exchange and Ivo had come to the inescapable conclusion that together they could make the UK into the major world force in securities trading.

"What is happening in London will affect you all," he told members of more than 12 national societies within the European Federation of Financial Analysts Societies (EFFAS).

"What we are doing is building an international market today which could well become the unified European financial market of tomorrow. I hope that all of you will consider becoming part of this market."

London prepares for the Big Bang

Mr Archibald Cox, London head of Morgan Stanley, the New York-based investment bank, said that a small group of firms would emerge as global supermarkets, where global investors could obtain a full service product.

"These firms will tend to draw the markets to where their principal activities are located. Obviously, this will have an impact on other financial centres."

Mr Cox said that local securities firms should react by improving their research product and the quality of the domestic market. He added: "Such measures will not, I suspect, be enough to ensure that all business stays in its home market, or that international firms stay out of various domestic markets."

The shadow of London's Big Bang restructuring, only a few days

away, on October 27, hung over the congress, which had the theme "Towards an Integrated European Financial Market."

Mr Xavier Dupont, chairman of

The urgency of the situation was emphasised by Mr Patrick Lannoy, a Brussels stockbroker. Stock exchanges had to adjust their methods if they were not to be left trailing and uncompetitive.

He noted that the London stock exchange had "sacrificed itself as a stock exchange and has become a financial trading centre."

Mr Jochem Neynaber, a German speaker, gave a warning that if London were to become the time zone centre for Europe "Frankfurt, Milan and Zurich will be the provinces, particularly if we continue to be unable to synchronise our dealing and settlement methods."

Mr Neynaber, from Schröder, Münchmeyer, Hengst & Co. in Frankfurt, said that on the main Continental bourses the 10 most active stocks in each case represented between 80 and 90 per cent of local trading volume.

"Our business will be much more trading driven and in addition to our product we will have to commit more risk capital in order to succeed in a more competitive world," Mr Neynaber said.

The Committee of the European Stock Exchanges emphasised the problems in changing the old fixed-based systems used by many Continental bourses to continuous trading methods, while even different markets within the same country were finding it hard to achieve consensus.

Meanwhile the Idis project, the Interbourse Data Interchange System sponsored by the European Commission, was only moving ahead slowly. Mr Dupont said that the implementation of a second stage of this project would be discussed at a stock exchange's executive committee meeting.

Market makers struggle to handle technology

By Alan Cane

IT WAS every bit as bad as the computer experts had said it was going to be: the final confirmation of those predictions over the past year that Seqq, the Stock Exchange Automated Quotations system, would be ready for the market makers but that the market makers' systems might not be ready for Seqq.

Some 32 serious computer problems were reported to the exchange during Saturday's rehearsal of which 30 were fixed by the end of the day; but many market makers are convinced their systems are not fast enough to cope with trading after October 27 and that the remaining week will not be sufficient to cure the faults.

The exchange, however, was claiming a success for its central systems. The Seqq computers in the Stock Exchange tower and the exchange's technical headquarters in nearby Christopher Street, were at their appointed time and were ready for the first market-makers to "log-on" (connect) at 8 am.

By 8.45 am the system was handling 17 transactions a second, each transaction representing a quote put in, well within the system's tested capacity of 40 transactions a second.

Mr Michael Newman, head of information systems at the Stock Exchange, said Seqq had spare capacity all day; it had copied easily with the load. Regular trials showed that any quote put in using the exchange's own market maker terminals would change on the Seqq screen within two seconds.

It was not, however, a flawless performance. The alarm bells rang regularly in the exchange's impressive technical control centre as teams of systems engineers curbed minor problems after minor problems.

Member firms reported a difficult time logging on or inputting quotes or trades included Kinet & Aiken, Alroyd and Smithers, Springour, Vickers, Wood Mackenzie, W. Greenwell and Hoare Govett.

Kleinwortz Grisonov, which had identified a number of problems during the first equities rehearsal a week ago, was much happier. It had a good afternoon's trading after a difficult morning.

Among the firms with the biggest problems there is a great deal of bitterness over the time-scale allowed and co-operation extended by the exchange. At a press conference after Saturday's rehearsal, Mr Patrick Milford-Slade, head of the exchange's special projects committee, said bitterly that if there were faults in the members' systems, then that was their responsibility.

But a systems specialist working for a major gilt dealer summed up the views of many in the past few weeks when he complained of poor co-operation, saying the exchange had used up its supply of goodwill.

In the context of major technological developments, the problems reported on Saturday were nothing out of the ordinary. What is worrying members is the lack of time to put their right and the fact that real money will be involved from next Monday.

Phillips and Drew Monksdale (PDM), the gilt market maker, which has been working on its Geminal market information and Future Systems position keeping computers since 1984, came through Saturday comparatively unscathed, despite a 50-minute break in service from the Bank of England Central Gilt Office caused partly by problems in starting up the system in the morning and partly by a small fire ("It was a routine day's trading," Mr Eddie George of the Bank of England said later).

Market makers find the going tough but learn to solve snags

BY CLIVE WOLMAN

THE CONCLUSION of most of the post-mortems held by stock exchange firms after the end of Saturday's dress rehearsal for Big Bang was that handling the new market practices proved tough at the start but their market-makers had learnt quickly.

At the very least, the rehearsal demonstrated that the stock exchange's own systems for dealing in equities were working adequately and that, whatever the defects in the inter-linking systems of member firms, none was so serious as to create the risk of catastrophic losses after Big Bang.

Nevertheless, several firms such as Wood Street Securities which faced a series of computer problems in the morning, are planning an intensive programme of internal rehearsals over the next week.

Most of the firms who were apprehensive on Friday and distraught when their systems failed to link up satisfactorily on the Saturday morning, relaxed as the day wore on. According to Mr Tim Coghlan, head of the UK equities division of Barclays deZoebe Wedd:

"There was a fair feeling of depression at the start of the day when everything seemed to be clogged up. But it picked up."

BZW and Warburg, which incorporates stockbrokers Rowe and Pitman, Mullens and jobbers Alroyd and Smithers, are the two biggest market-making firms in the pre-Big Bang Stock Exchange. On Saturday, most of their dealers for the first time moved away from the Stock Exchange floor and into the offices alongside their new broking colleagues.

Mr Peter Wilmut-Sitwell, chairman of Warburg Securities, said that one of the probable conclusions from the day's trading was that they had left too many dealers on the stock exchange floor and not enough on the telephone. Most brokers believed that the day's events supported the view that dealings on the stock exchange floor will soon be limited to small bargains and trades in the least-liquid securities.

Ironically, however, some agency brokers were forced to go and trade on the stock exchange floor because several of the market-makers were

refusing to answer their telephones. The reason in many cases was that they were unable to update their prices through their computer terminals on the Stock Exchange Automated Quotations System (SEAG) and therefore would have been obliged to deal at their former prices.

Some firms blamed SEAG for the delays, but stock exchange officials insisted that their tests showed that it never took more than two seconds for SEAG prices to be changed and that the fault must lie with the firms' link-ins to SEAG.

Mr George Hyster, director of the stock exchange's information services, said after the rehearsal that the exchange would probably give firms a few days' grace after Big Bang before enforcing the requirement that firms deal in the prices and volumes appearing on SEAG for the 62 most actively-traded "alpha" securities. But thereafter the rules would have to be enforced.

One figure who seems likely to be of prime importance in the new market is the sales trader.

Gilts rehearsal free of hitches

BY JANET BUSH

SATURDAY'S SECOND and final dress rehearsal for traders of gilt-edged government securities ahead of Big Bang was a much less hectic affair than the first practice session held on September 27.

The equity market had its first chance to see the Stock Exchange's vast array of interconnecting computers in action and the gilt-edged sector was able to take something of a back seat. While the stock market battled its way through two high-volume sessions in the morning and afternoon, gilt dealers finished a short working day at 11 am.

Problems emerged later at the Central Gilt Office, which houses the Bank of England's computer for settlement of bargains. A fire in a lift shaft, nowhere near the computer itself, caused by workmen, meant the building had to be evacuated for about half an hour at lunchtime. This did not disrupt the Bank's timetable for settlements.

But later in the afternoon, an electrical fault caused problems for some 15 minutes.

Nevertheless, the Bank of Eng-

land expressed quiet satisfaction with the trading session, saying trading volume had been fairly significant but that all market participants had stuck within their pre-set dealing limits.

In the high-tech dealing room of broker James Capel & Co, one of 27 primary dealers who will compete fiercely in the newly-structured market, Mr Bob Smith, executive director and chief risk manager, said: "Everyone is geared up for the real thing now."

Legal Notices

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF COLORADO

Chapter 11
Case No. 84-B-0377-J
Debtor: STORAGE TECHNOLOGY CORPORATION, and affiliated companies.
Debtor: STORAGE TECHNOLOGY LEASING CORPORATION, et al.

NOTICE OF (1) HEARING TO CONSIDER CONFIRMATION OF PLAN; (2) TIME FIXED FOR FILING ACCEPTANCES OR REJECTIONS OF PLAN; (3) TIME FIXED FOR FILING OBJECTIONS TO CONFIRMATION OF PLAN; AND (4) TIME FIXED FOR FILING OBJECTIONS TO THE ASSUMPTION OF EXECUTORY CONTRACTS PURSUANT TO THE PLAN

To All Creditors, Equity Security Holders and Other Parties in Interest:

PLEASE TAKE NOTICE that following a hearing thereon held on October 6, 1986, the United States Bankruptcy Court for the District of Colorado (the "Court") approved an Amended Plan of Reorganization (the "Plan") and confirmed the Plan. The hearing may be continued from time to time without further notice.

OFFICE OF THE UNITED STATES TRUSTEE
2345 Sherman Street
202 Columbia Building
Denver, Colorado 80202

W. Dean Salter, Esq., Trustee
2345 Sherman Street
202 Columbia Building
Denver, Colorado 80202

W. Dean Salter, Esq., and **Stephen Rogers, Esq.**, Attorneys for Debtor
1700 Broadway, Suite 900
Denver, Colorado 80202
Telephone: (303) 863-7000

Company Notices

Notice of Distribution

FIDELITY INTERNATIONAL FUND N.V.
Registered Office: Schottegaweg Oost, Salinje
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To the Holders of Registered Certificates and Bearer Certificates U.S. \$1.00 par value

Notice is hereby given that, pursuant to the Plan of Liquidation and Reorganization adopted as of March 20, 1986, as amended, of Fidelity International Fund N.V. (the "Fund"), the Liquidators of the Fund intend to deliver on November 3, 1986 to a consignee facility of Bank van de Nederlandse Antillen (Central Bank), Curacao, Netherlands Antilles liquidation proceeds for the benefit of Holders of Registered Share Certificates and Bearer Share Certificates of the Fund who have not surrendered their Share Certificates to The Bank of Bermuda Limited by November 3, 1986. The liquidation proceeds will consist of ten shares of Fidelity International Fund, a Luxembourg Société Financière à capital variable formed as part of the reorganization, (the "SICAV") for each one share of the Fund held by a Holder.

To receive their SICAV shares, Holders should deliver their Fund Share Certificates or Certificates (with dividend) to the following bank:

PRIOR TO NOVEMBER 3, 1986
The Bank of Bermuda Limited
Transfer Agent for Fidelity International Fund N.V.
6 Front Street, Hamilton S-31, Bermuda
Attention: Stock Transfer Division

FROM AND AFTER NOVEMBER 3, 1986
Fidelity International (C-1) Limited
Consignment Facility for Fidelity International Fund N.V.
Broedstraat No. 1 (P), Curacao, Netherlands Antilles

NATIONAL BANK OF CANADA \$US 100,000,000 FLOATING RATE DEPOSIT NOTES DUE APRIL 1995

For the three months, October 7, 1986 to January 6, 1987, the rate of interest has been fixed at 6 7/16 % P.A.

The interest due on January 7, 1987 against coupon nr. 7 will be \$US 164.51 and has been computed on the actual number of days elapsed (92) divided by 360.

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Company Notices

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According to Clause 4(c) of the terms and conditions of the Notes, notice is hereby given that 2,500 Notes of the above-mentioned issue of US\$10,000 each, numbered from 9001 to 2,500 and from 2,701 to 3,200 have been repurchased and will be redeemed on 31 October, 1988. Therefore, the Notes outstanding after the interest payment date will amount to US\$35,000,000.

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Principal Paying Agent

METROPOLITAN ESTATE & PROPERTY INTERNATIONAL SA

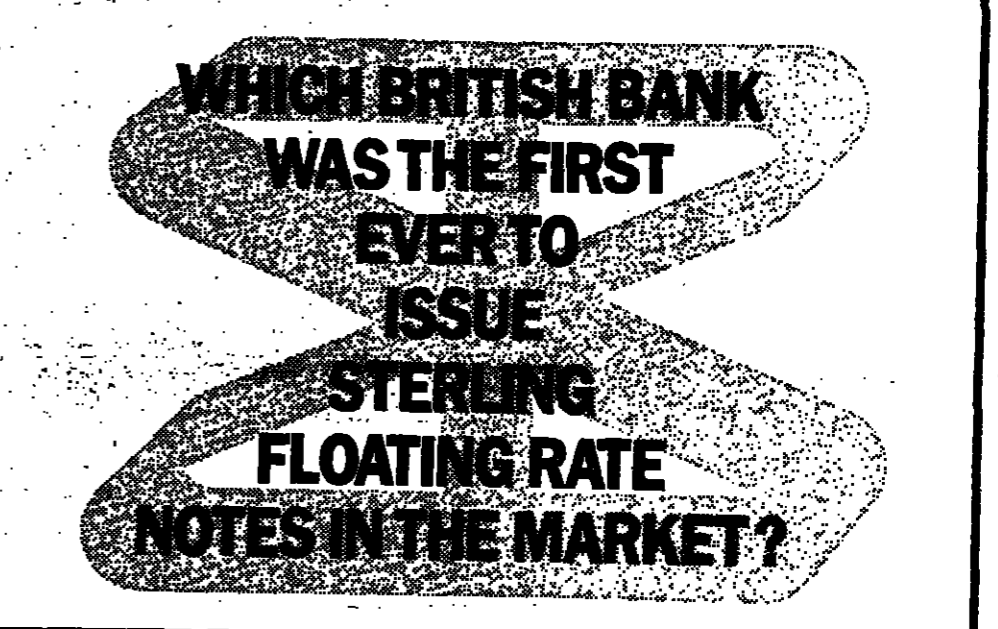
20,000,000 EUROPEAN COMPOSITE UNITS (EUROCO) \$1 1/2 LGAN 1988

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20th October 1986

WHICH BRITISH BANK WAS THE FIRST EVER TO ISSUE STERLING FLOATING RATE NOTES IN THE MARKET?



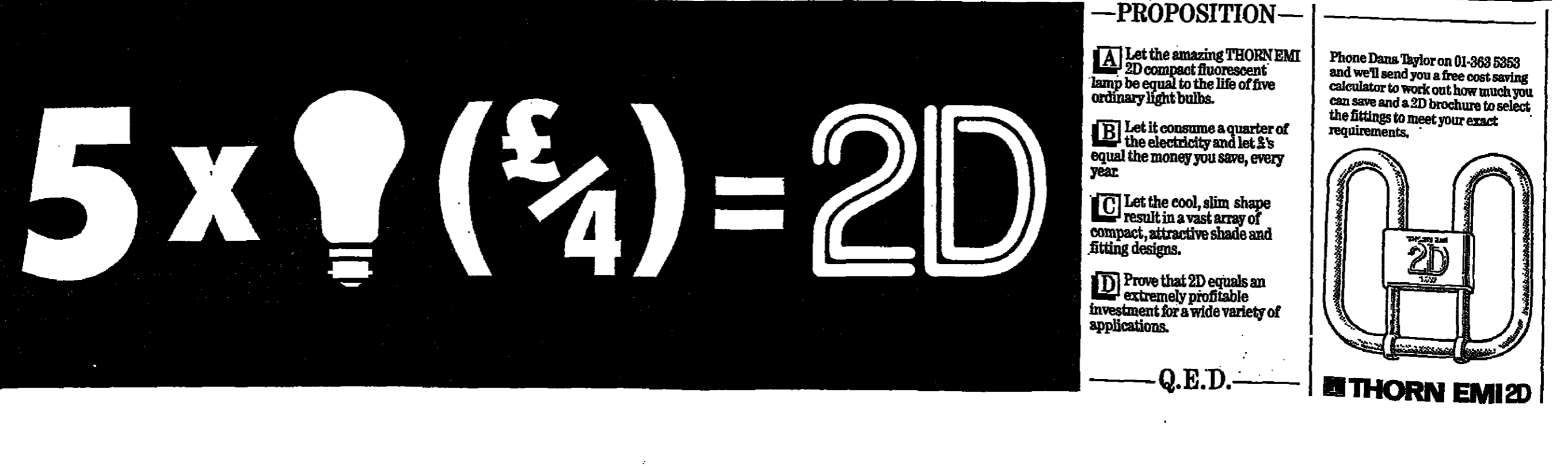
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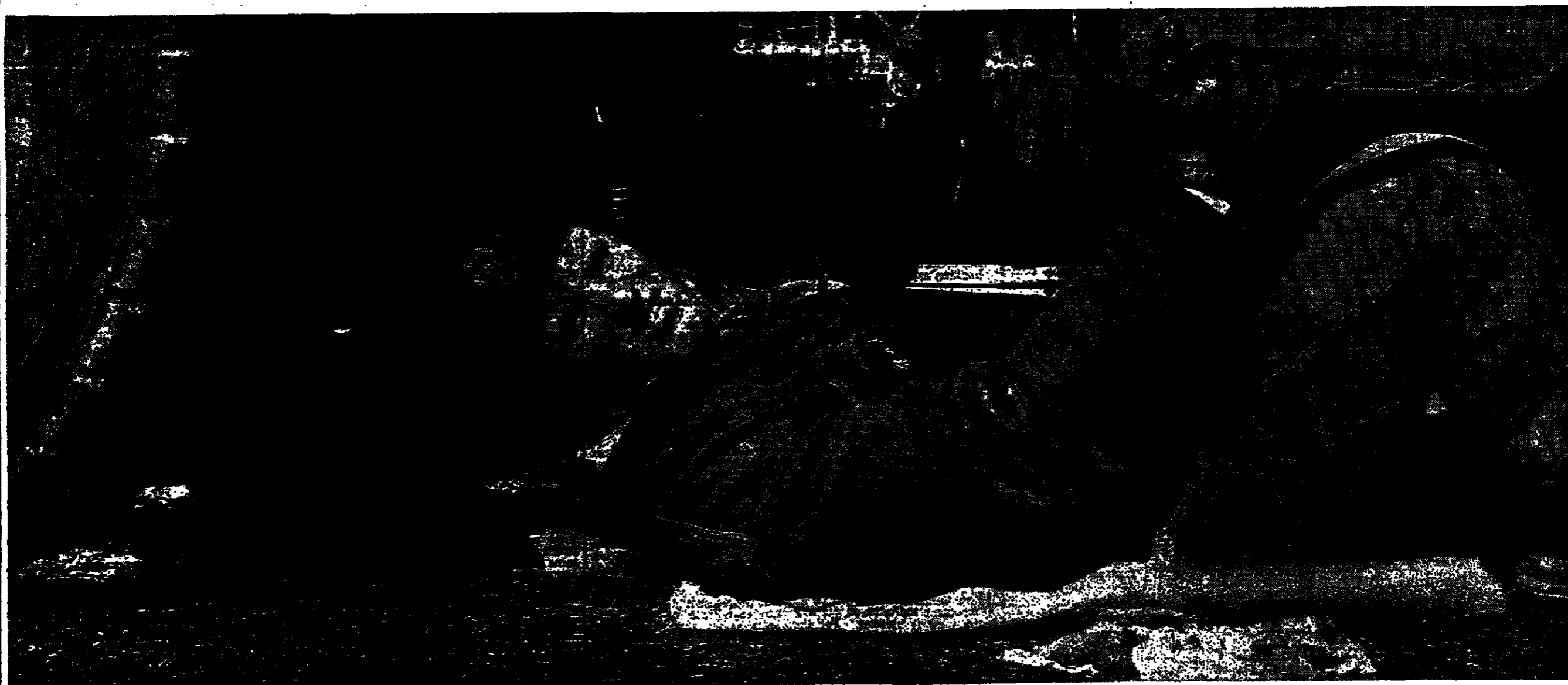
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THE MONDAY PAGE



Just a little nervous

INTERVIEW

Sir Martin Jacobson, leading banker and City figure, talks to John Plender about life beyond the Big Bang

"I HOPE that wasn't all rubbish," said Sir Martin Jacobson as he fled from this interviewer through the backdoor of Barclay's imposing offices in Lombard Street on his way to a meeting at the Bank of England. It was a characteristically self-effacing throwaway line from a man who has been intimately involved in re-shaping Britain's financial structure before the Big Bang and in assembling one of the country's biggest financial conglomerates. Sir Martin, whose portfolio of top City posts includes a directorship of the Bank of England along with deputy chairmanships of Barclays and the Securities and Investments Board (the SIB), could fairly claim to be one of the City's most influential figures. That is, however, almost certainly the last thing he would ever do despite having played a key role on the City Capital Markets Committee in influencing the changes on the Stock Exchange and a similarly heavyweight role in inventing the SIB, which is to be the top watchdog in the new system of regulation outlined in the Financial Services Bill. For a former barrister and one-time tax correspondent of the Financial Times, he is quite remarkably given to understatement.

expected from the three different constituents; we are operating with a single BZW ethos. I'm very pleased with the speed with which all our people have adapted to the new world." He is sanguine, too, about the progress that has been made in fitting BZW into the Barclays group. Personal culture shock on moving into a giant bureaucracy? Hard grind in implementing the merger? "Nothing untoward" is Sir Martin's message, along with glowing tributes to the clearing bankers. "It's bound to be hard for anyone to adjust to such a big organisation as Barclays, one which obviously requires a much more structured management style. I won't pretend it's been easy—I never expected it to be. I don't expect next year to be any easier. But it will be more enjoyable in the sense that there will be more concentration on doing the business than in organising ourselves to be able to do the business. That is not to say that Sir Martin sees no difficulties in the imminent Big Bang, which involves the abolition of fixed minimum commissions and the start of the new dealing systems in equities and split-edged securities. "Of course I have concerns about the technology. As we speak today, some of the technology is still on the drawing board. One won't be entirely content with that until it's up and running and we demon-

strated that it all works. But although technological hiccups may impede the speed of progress in this initial stage, they are not going to interrupt things permanently." He also takes the threat of competition from the big foreign-owned securities firms very seriously. Unlike New York and Tokyo, London is not backed by a strong domestic economy providing a large flow of domestic business. British houses are not familiar with "dual capacity" trading, in which firms are able to act both as an agent on behalf of the investor and as a market maker taking positions in a given stock on their own account. And they have smaller capital. The Eurobond market, says Sir Martin, provides an object lesson in that no British house, apart from S. G. Warburg, has made a serious and lasting impact. Inevitably, after the Big Bang, some domestic firms will fall by the wayside. There will be more mergers and acquisitions by foreigners. And the threat is not purely American. "In London the Japanese are going to be formidable competitors. We recognise that and have to make sure that we provide investors with the best quality service on competitive terms. Barclay's competitive advantage in New York markets, he believes, will lie in the combination of capital, worldwide business connections and investment banking expertise. "This should mean that we are able to compete on level terms in all areas of capital markets business. Of course you can't catch up and deliver that standard of performance overnight, but if you have the objectives clearly enough in mind you can certainly stand a very good chance of getting there. The management problems are not insoluble."

Nor is the Glass-Steagall Act in the United States, which insists on the separation of commercial banking and investment banking, a serious obstacle to the transatlantic aspirations of the clearing bank-based City conglomerates, according to Sir Martin. The legislation will, in his view, be swept away in four to five years' time. The Fed's ruling on the purchase by the Japanese commercial bank Sumitomo of a stake in the large US investment firm Goldman Sachs will be an important indicator of the way the wind is blowing. For the key to the removal of the legislation is the need for new capital in the securities business, which will reduce the securities industry's long-standing hostility to the commercial banks' demands for a more relaxed approach. And then, for a brief moment, diplomacy may have to blunt talk, as we came to the British Government's \$70n raid on the international capital market to top up the reserves, in which Credit Suisse First Boston and S. G. Warburg acted as lead managers. "Of course it's a disappointment to me that the Government chose one British and one non-British firm in the recent floating rate note issue. I'll give you just a short analogy

Reflections on the Craig affair

JOHN LLOYD

MONDAY PAGE readers were last week given a fine essay on the theme of press freedom by Justinian. The excuse for returning to the subject is an ability to report personal experience, coupled with that experience's relevance to the professional concerns of many FT readers. Some readers will remember that the New Statesman was prevented by an injunction granted to the Government last week, from publishing a valedictory despatch to Sir Geoffrey Howe, the Foreign Secretary, from Sir James Craig at the end of his tour of duty as Ambassador to Saudi Arabia in June 1984. It was confidential: such despatches always are. It was also frank, critical, though with an undertow of affection, drawing on a wide breadth of experience. In granting the injunction, the judge upheld the Government's contention that publication of the document would adversely affect relations between Saudi Arabia and the United Kingdom. How it came into the Statesman's possession is a separate matter from the main concern here, and cannot be discussed for legal reasons. Like all such occasions, it raises urgent ethical questions (besides the legal ones) which have to be addressed. One comment has to suffice: much confidential information which comes into the hands of a newspaper, whether verbally or in the form of a document, involves the breach of some kind of trust on the part of the "leaker." Such material is published in media outlets every day. Most Cabinet Ministers leak as Mr James Prior was candid enough to admit in his recent memoirs. If a general Omeria were observed throughout public and professional life, the quality and quantity of informed journalism would be greatly reduced—though there is an argument which cannot be relieved of pressure, largely from peer groups, to get "exclusive" journalists could develop otherwise atrophied thought processes to produce better analysis. But that is not the heart of the argument. This is that the "freedom of the press" and the "public right to know" (neither of which are absolute or constitutionally enshrined in the UK) are at times a burden on the operation and practices of business. The reason is that they can give the edge of knowledge to competitors, or reduce customers' confidence in a given company or even country—as in the Statesman case—they can cause anger or embarrassment at State and thus commercial levels. In short, a free press is putatively inimical to free enterprise even while often being a creature of it. This newspaper knows that as well as any. Its privileged position means that it gets commercially sensitive information more readily than others: its reputation means that publication of such information carries more weight. An experience of mine, when a relatively new reporter at the FT, was not untypical. A senior and aggressive industrialist argued to me that a feature planned for the next day would ruin his consortium's chances for a huge contract in a three-cornered fight for a slice of—ironically—the Saudi telecommunications market. The feature was published; the consortium did not win the contract; we were never told if the FT's publication had contributed to that state of affairs. That kind of pressure, usually directly on the editor himself, is constant on national newspapers. It is usually resisted; there is not much of a social support mechanism outside journalism for doing so. If business people are confronted with the choice between agreeing that a paper has the right to publish information it believes to be true, or, on the other hand, that it should hold back or drop it to prevent commercial damage (especially to one's "own side"), few would choose the former. Why publish these facts rather than others (like those damaging to our competitors)? More radically—do you not recognise the right to publish?—do you rest only, ultimately, on a free and prosperous economy? I put the Statesman case for publishing the Craig despatch to a group of some 50 business people to whom I happened to



The ungrateful investor

By Barry Riley

THE CLEANING new integrated securities firms are just polishing up the last items of advanced technology and filing the final trading desk vacancies with the aid of a golden hello or two. But the question arises as to whether they have paid enough attention to the only people who can make the expensive new organisations work—namely the clients. A study of the opinions of fund managers in a cross-section of 125 investment institutions will appear in next week's comprehensive FT survey of the City Revolution. But I can give a preview of some of the results of the poll which was carried out for the Financial Times by MIL Research Group. "A disaster" was one institution's view of Big Bang, "a charter" was another, and "a retrograde step in all directions" was a third. Some, it should be said, did recognise potential benefits from lower commissions and increased competition. Yet the overall impression was of a group who feared being jolted out of their comfortable corners just as much as the stockbrokers—and unlike the brokers they were not offering small fortunes to compensate them for their discomfort. Certainly the institutions are scarcely rushing to change their own systems to adapt to the new structure of the securities markets. Only about a third of the institutions employ in-house dealers, a prerequisite if they are to exploit their new opportunities for screen-based trading directly with the market-makers. Another 7 per cent thought they would be employing in-house dealers after Big Bang. That would still leave about 60 per cent without such facilities. It is true that around half the fund managers polled thought they would respond to Big Bang by cutting the number of brokers they would be dealing with, presumably so that they could concentrate their favours and negotiate keener commission rates. But on average, funds appear to deal with around 25 brokers—perhaps 15 on a regular basis—and a few funds trade with more than 60 firms. Fund managers are always suggesting they will trim their broker lists, but they rarely appear to achieve their aim. In fact, various new firms, including several of the major US investment banks, will be intensifying their efforts in London after obtaining Stock Exchange membership on Big Bang day, so that institutions could find themselves dealing with even more securities firms if they are not careful. There was a very wide spectrum of views on how dealing would be carried out in the London market after Big Bang. One important question is the extent to which the institutions will continue to trade on the existing commission paying basis, and how much on a "net" basis, with all the securities firm's remuneration wrapped up in a spread between buying and selling prices. Almost a third of the fund managers declined to express a view, and the rest were fairly evenly spread across a range from 0 per cent to 100 per cent. They were polled in the first half of September, well ahead of the VAT decision which could enhance the attractions of trading net for many funds. As for the formula by which brokers' research might be remunerated when the funds dealt on a net basis, there was a very wide range of views here too. These were difficult to summarise, but some thought there might be fees, either on a flat or transaction-related basis, others did not expect to pay at all, and a fifth were don't know. Such inconclusive results indicate that a consensus has yet to build up. Regulatory factors could play a crucial part. One of the attractive aspects of the net basis of paying commission is that the way of paying for services such as research by using clients' money rather than their own. If new regulatory bodies such as the Investment Services SRO called Imro are tough on disclosure in this area, there could be more payment of direct fees. But if New York experience is anything to go by, and if our own Securities and Investments Board's recent drafts are borne out, "soft" commissions are here to stay. At any rate, 60 per cent of the fund managers were of the view that there would be no scope for the development of independent investment research houses after Big Bang, up with the transaction side of the securities industry. That is certainly the way it turned out in New York after deregulation there in the mid-1970s. Yet 88 per cent of British fund managers thought there might be scope for non-broker research in the UK, so opinion is by no means unanimous on this point. The general impression, however, is that most fund managers are greatly preferring the old stock market trading system. Perhaps that is not surprising given that in the absence of price competition, brokers were prone to vie with one another to pile on the services to fund managers. The new world will be less privileged for fund managers. "Where will we get our impartial advice?" complained one. He might well ask.

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PERSONAL FILE

1929 Born November 11; educated at Eton and Worcester College, Oxford. 1948-49 Second lieutenant, Royal Artillery. 1955 Called to the Bar, Inner Temple; contributed to Financial Times as tax correspondent. 1960 Joined Kleinwort Benson; vice-chairman 1976. 1983 Deputy chairman, Council for the Securities Industry; panel on Takeovers and Mergers. 1985 Left Kleinwort to become vice-chairman of Barclays and chairman of Barclays de Zoete Wedd; vice-chairman Securities and Investment Board. 1986 Director, Bank of England. Other directorships include, Christian Salvesen, Hudson's Bay Company, Commercial Union Assurance, British Gas.

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CONSTRUCTION CONTRACTS

Finsbury Avenue scheme

LAINING MANAGEMENT CONTRACTING has been awarded a design and construct contract by Rosehaugh Greystock (Phase 2) to be the management contractor for a £13m contract to complete the last phase of the Finsbury Avenue development scheme.

contract is for the erection and completion of a 10-storey office building with roof and ground floor plant rooms together with associated external works and services at West Gate, Ealing, London.

Supermarket project in Bradford

FAIRCLOUGH BUILDING has been appointed main contractor by Wm Morrison Supermarkets for a retail/industrial complex in Bradford.

Supply base for health authority

WIMPSEY CONSTRUCTION has been awarded a design and construct contract by the Yorkshire Regional Health Authority for a regional distribution warehouse at Normanton.

Housing for the American Air Force

WALTER LAWRENCE PROJECT MANAGEMENT has been awarded a design and build contract for 200 family houses for the US Air Force at RAF Woodbridge, Suffolk.

J. F. DONELON & CO has been awarded the Halifax main sewerage reconstruction scheme, stage two, for the Borough of Calderdale.

WILTSHIRE NORTHERN has won the following contracts worth around £770,000: roof and a leisure centre at Newton Aycliffe, Co Durham.

TAYMECH, the building services contractor of the Taylor Woodrow Group, has been awarded a £172,000 contract by Naylor and Walkden, main contractors to the Preston Health Authority.

BARR & WRAY has secured a £1m contract for the design and construction of equipment for three leisure pools in Birmingham, Perth and Aberdeen.

ALFRED McALPINE has been awarded a design and build contract for the refurbishment of the railway station in the centre of Sunderland.

A. E. SYMES, a subsidiary of John Willmott Building Group, has been awarded a contract worth in the region of £1.13m by British Telecommunications for the refurbishment of Mondial House, Upper Thames Street, EC4A, to form offices.

ALFRED McALPINE has also been awarded a contract worth over £230,000 by Shell UK for construction work at its premises at Stanlow, South Wirral.

One of the most prestigious Victorian buildings in Preston, the Miller Arcade, is to be renovated and improved by management contractor MOVIS CONSTRUCTION for clients Town & City Properties Management.

Dividend and interest payments: 1986 £133.22, 1985 £112.52, 1984 £112.52.

Thames Water
UNAUDITED STATEMENT OF RESULTS FOR THE HALF YEAR ENDED 30th SEPTEMBER, 1986
Table showing 6 months to 30th September and 12 months to 31st March for 1986, 1985, and 1987. Includes Turnover, Trading Profit, Interest, Profit after interest.
NOTES: 1. This unaudited statement has been prepared under the same accounting policies used in the statutory accounts for the 12 months ended on 31st March, 1986.

DIARY DATES

Finance: The following is a record of the principal business and financial engagements during the week. Trade fairs and exhibitions: UK: October 20-22 British Motor Show.

Business and Management Conferences: October 22 The Economist Conference Unit: Advanced manufacturing-making it work.

Parliament: TODAY: Leader Western Isles Council (Barmore Harbour) Order Confirmation Bill.

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THE ARTS

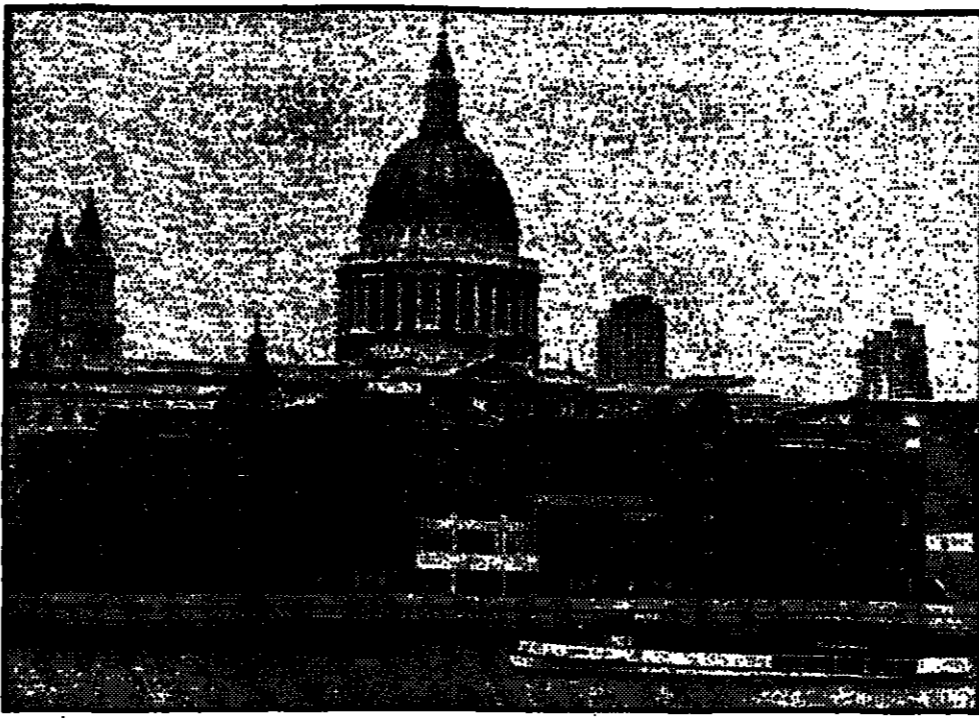
Architecture/Colin Amery

The good life in new City school

Schools are often places where we have our first architectural experience. It is curious to return to school as an adult; somehow those intimidating corridors and daunting halls have shrunk. Boys, who are fortunate enough to attend the City of London School, will in the last few years have had the opportunity of making some instructive architectural comparisons.

The new school, which opened for business this term, occupies a fine site on the Thames, bounded on the north by Queen Victoria Street and the churchyard of Wren's St Benet's church, and on the south by the public riverside walk.

The main teaching block runs from north to south with some 15 laboratories on the top floor and form rooms and seminar rooms below. It is a slightly odd sensation to be dissecting a frog immediately above the rear of a major highway through London.



The riverside front of the new City of London School — humane scale and good materials

architecturally unworthy. The new City of London School has taken a lot more care. It is built of sympathetic brick, it attempts to echo the rounded windows of the church and it does, as a whole do all it can to repair the damaged surroundings of one of Wren's most pleasing domestic-scale brick churches.

When the streets climbed up and around the church, the scale of the tower made much more sense but the new school definitely helps. The riverside walk is also a major plus despite the grim architectural prospect of the opposite bank.

offering. At the Dulwich Picture Gallery there is an interesting small exhibition about the life and work of Charles Barry Junior — an important member of the architectural Barry family who designed Dulwich College. A visit to the exhibition offers the added bonus of seeing the Soane Gallery, the returned Rembrandt, while Mrs Thatcher's neo-Georgian palace, behind the alsatians and security gates, is just down the road.

Symphonic Variations

Clement Crisp

Symphonic Variations returned to the Royal Ballet's repertory at Covent Garden on Saturday night after too long an absence. It was placed at the heart of an Ashton triple bill, where it rightfully belongs, for it is Sir Frederick's most open statement about the nature of the English style of classical dancing which he so vitally shaped.

Don Carlos/Paris Opéra

Ronald Crichton

The 'Palais Garnier' is the most dramatic, centrally placed of Western European opera houses, the most unequivocally, unapologetically monumental within and without. The boldness of the architect Carnot's conception has not always been reflected in choice of repertory. Recently, though, the Opéra has begun to come to terms with the historic past inherited from the previous theatre, similar in shape and size of the former, but by comparison tucked away in a corner.

clear. In this demanding but rewarding house, the voices sounded excellently well. The French tenor Jean Dupuy took the title-role at it appears, very short notice. One would never have supposed this from the degree of confidence and composure he brought to a notoriously elusive character. The Elisabeth de Valois was Michèle Lagrange, her timbre warm and appealing with a touch of quick vibrato, the top of the range most delicate. Neither singer has great power. Both have stamina. They blend well. The couple Carlos, Elisabeth, as they should be, were firmly in the foreground.



Suzanne Murphy

Lucia di Lammermoor

Rodney Milnes

The present management of Welsh National Opera has long had a knack of matching opera production teams, both positively and provocatively (for instance, handing war-horses like Carmen and Rigoletto over to Lucian Pantele). The marriage of Donizetti's Lucia and William Gaskill seemed in advance a curious notion, and remains so after the results were unveiled in Cardiff, at the New Theatre, on Saturday.

heavily conducting. No half-tones, yielding contours, but forceful, strident projection together with some over-driven tempos made the score sound like early Verdi, which it should not. The production was well cast. Suzanne Murphy is no tanky nightingale of a Lucia. Her lyric soprano is sumptuous of tone yet ideally fluent in coloratura — I know of few sopranos today who can sing a fast chromatic scale with such devastating accuracy.

Keep Britain Tidy Group. Message from the Secretary of State for Wales. I am pleased once again to have the opportunity of sending my support for the work of the Keep Britain Tidy Group and in particular, in the Principality, for the efforts of the Keep Wales Tidy Campaign in achieving a clean and improved environment.

Arts Guide. Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday. October 17-23. LONDON: London Philharmonic conducted by James Loughran with Luigi Albertoni.

Don Giovanni/Glyndebourne

Rodney Milnes

As the years go by, Glyndebourne Touring Opera increasingly attains standards that start to challenge those of the festival; indeed, in two of this year's operas important roles have been unarguably better cast than they were in the summer. But at the opening of the touring Don Giovanni on Friday, one did notice that the London Philharmonic Orchestra was not in the pit. At first the Bournemouth Sinfonietta's rough and ready playing reminded one that they have been going through a sticky patch, but as the evening progressed, so their response to Martin Isepp's conducting grew steadily more alert, and the second act, certainly, was admirably rhythmic and vigorous. I like the way Mr Isepp founds his Mozart sound on a good, solid bass line.

Calling/Scarborough

Martin Hoyle

Paul Copley is a young actor of sense, sensibility and sensitivity. He plays a young man in his capacity as playwright leads to the danger of making everyone a little too nice. A warm heart does good things. The calling of an everyday life than on the sleeve where the writer currently sports it.

Wayne Eagling indisposed

Wayne Eagling will be unable to perform at the Royal Opera House during October and November as he is still recovering from injury. Stephen Jeffries, who took over from him in May 1985 on October 14, will take over his role in The Sleeping Beauty on November 1: the replacement for Mayering on November 7 will be announced later.

WHEN IT comes right down to it, Reagan and Gorbachev both seem to pass a very similar verdict on their meeting at Reykjavik. It was nearly a triumph; or it produced real progress which was only prevented from being a total triumph by the refusal of the other fellow the last year; or it was a good foundation for further negotiations; something like that. Yet everybody knows it was a failure. The question which may be worrying some European governments, and ought to be worrying the Atlantic alliance, is whether the Atlantic alliance can survive many triumphs like the one we almost had in Iceland.

Nato cannot survive another triumph

By Ian Davidson

It is easy to see why the two leaders have done their best to accommodate the positive. Reagan had already satisfied the right-wing advocates of Star Wars all that was left to do was to reassure the middle-of-the-road supporters of arms control that he was rooting for them too. Conversely, Gorbachev could hold out the hope of a spectacular compromise with the US on the basis of parity, while reassuring his conservative critics that he had not let Reagan set away with Star Wars.

The agreement would be at least as significant as the depth of the cut. With a freeze, the expiry date is obviously arbitrary, influenced by the *ad hoc* sense that eventually weapons may be seen as obsolete. The first Strategic Arms Limitation Treaty (SALT I) was valid for five years; SALT II would have been valid for 64 years if it had been ratified by the US Senate, but there would have been just as much logic in four years or seven.

The inescapable strategic link between offensive and defensive systems argues that any agreement limiting defensive systems should last at least as long as an agreement limiting offensive weapons. The 1972 Anti-Ballistic Missile (ABM) Treaty is of unlimited duration; Mr Gorbachev's concession was to agree that the Americans might be allowed to break out of the ABM constraints after a number of years; but it was inconceivable that he would agree to such a break-out, so long as the Soviet Union was bound by treaty limits on its offensive weapons. In other words, a 10-year delay in any Star Wars deployment, also defines the duration of an offensive weapons reduction.

For the time being, at least, a delightful prospect has been blocked by the failure of the Reykjavik meeting, and specifically by President Reagan's determination to accept no significant restriction on the development of his beloved Star Wars anti-missile programme. You optimist refuses to be discouraged, however, and believes that the two sides got so close to a package deal that Mr Gorbachev is bound to be able to sign an agreement, if not with President Reagan, then with his successor. But your Old Apprehensive is troubled by a few unanswered questions.

Question 1: What credibility is there in the position of either of the two leaders? Should we really believe that they are seriously proposing what they say they are proposing? Or is Star Wars a wonderful pretext for both sides, which allows them to talk big about nuclear disarmament without any danger of having to sign an agreement? If a 50 per cent cut in strategic weapons is spectacular, it is just about imaginable; but President Reagan apparently went on to propose getting rid of all the remaining strategic missiles by the end of the 10-year period, just keeping his Star Wars a little insurance policy; while Mr Gorbachev reverted to his three-stage blueprint for eliminating all nuclear weapons world-wide in the next 15 years.

anyone take seriously their more modest and more attainable proposals when they apparently mix them up with lying fairy stories from the nursery? Question 2: Does the Reykjavik meeting really represent a responsible way to conduct business? The Russians arrived with a bag of new proposals in their pockets, evidently determined to unbalance Mr Reagan and bounce him towards a major package deal. They almost succeeded, and had they done so, we might now be celebrating a magnificent achievement which nevertheless contained a lot of worrying elements. Some people, like Dr David Owen, believe this kind of high-pressure encounter is a fine test of political leadership and decision-making, and a good way to side-step bureaucratic obstructionism. Maybe; but it is also possible that the two men have bounced themselves into a trap over Star Wars from which there is no escape.

Lombard How to attack Euroclerosis

By Samuel Brittan

If there is any complacency left among supporters of Europe's conservative governments, it should have been shattered by Professor Herbert Giersch's Wincott Memorial Lecture last Thursday. Both the German and British Governments tend to take refuge in modest economic growth, low inflation (in Britain's case on a very fragile basis) and the fact that very high unemployment has for the moment ceased to get worse—again a precarious achievement.

Prof Giersch shatters this complacency by pointing to at least two glaring defects in present policies. They leave a large pool of outsiders, who are unemployed or in the black economy, who do not enjoy the benefits of such growth as there is. This is just as much an injustice as the poverty lobby believes it to be, even though Prof Giersch's remedies are of an opposite kind.

There is a great waste of potential. Now that some of the most painful adjustments in the older industries have been made, public sector deficits have been curbed and inflationary expectations are low, Europe ought to be able to look forward to another period of 41 per cent annual growth, instead of the 21 per cent held out by the present Community Governments.

Prof Giersch's plan for faster growth has three prongs: liberalisation of labour markets, completion of the ERM internal market and liberalisation of trade with the rest of the world.

Its omissions are as important as its inclusions. There is for instance not a single reference to privatisation, which forms so large a part of Thatcherite radicalism. It is not that Prof Giersch is against selling state-owned industries; but if fit into his universe only as an adjunct to removing constraints on competition—which will be hardly achieved by making Sir Denis Rooke's British Gas into a private monopoly.

Nor did he mention the financial markets, which is where most liberalisation efforts are concentrated in the Big Three European countries. Again this is not because he

want to bring back fixed commissions, credit controls and the like, but because the blockages to trade in goods and services—and in the hiring of workers—are far more important. Even when it comes to tax cuts, Prof Giersch's advocacy is very different to that by typical Republicans, Conservatives or Christian Democrats. He does not mind seeing such cuts as a demand boost, but only if undertaken as an adjunct to measures of liberalisation which will simultaneously speed up growth. A co-ordinated fiscal relaxation in Europe—on which Giersch's own country would allow trade negotiators and regulators to de-emphasise the direct losses of output and employment expected from removing restrictions and to anticipate a pull of demand to alternative uses which will facilitate the transfer of resources set free by competition. The ultimate object of Prof Giersch's tax cuts would be to boost investment. But he thinks the best way to encourage investment in new capacity which would employ labour, is to cut general taxes on income or on payrolls and combine this with wage moderation to boost profit expectations. Indeed he believes the best financial climate for employment growth would be one of lower taxes, greater profitability, but also a reasonably high interest rate to reflect the scarcity of capital and to discourage its substitution for labour. Again not a message that Reaganites and Tories will like. Prof Giersch also emphasises the need for regionally differentiated pay scales reflecting local surpluses and scarcities. British Government efforts have been to cut general taxes, as have efforts at rent decontrol. But then genuine measures to free markets are subordinated to gimmicks such as the supposed abolition of domestic rates. But then you cannot expect much market liberalism from a Government whose head objects to its citizens drinking imported Perrier and wants them to drink Malvern water instead.



Why not float the BBC?

From Mr T. Horton
Sir—In his Lombard column of October 13 Samuel Brittan discussed the possible sale of BBC Radios 1 and 2. A much simpler, but more radical, approach which the Peacock committee seems to have ignored would be the flotation of the BBC in a manner comparable to that of British Telecom and British Gas.

Rather than become bogged down in the means of financing the BBC, it would be wise to see it for what it is, namely a major subscription service broadcasting organisation. A subscription service is a perfectly valid means of financing and there is no reason why the BBC should not retain this characteristic, with controls on the level of subscriptions comparable to those that already apply to British Telecom. Similarly, the BBC could retain its charter. It could also be encouraged to provide an enhanced range of services, if it is able to do so from better management of resources and the generation of overseas sales of programme software.

In this way, privatisation would provide the opportunity for the BBC to retain its basic integrity, while detaching it further from the public sector and basing it more appropriately for the pluralistic broadcasting system that will prevail in the next century. Ideally, the BBC would become the leading subscription broadcasting organisation in the world, at a further remove from Government and with its capital held by employees and outside shareholders. This would certainly be a more elegant solution than many of the proposals that have been floated in the past year. I should point out that I write as a former chairman of the finance committee of the Association of Independent Radio Contractors.

Letters to the Editor

Profit related pay
From the Chief Executive, New Bridge Street Consultants
Sir—We commissioned the Blanchflower and Oswald studies, and are disappointed that Samuel Brittan (October 16) labels the second as very hostile to FRP (profit related pay). On the contrary that study finds that FRP is already being practised by over 60 per cent of UK enterprises. My conclusion is that FRP is here, and here to stay, whether or not there is tax relief for it. The intent and purpose of the two studies was neutral, and designed to improve the quality of the debate about FRP. The results are unexpected, but they represent the most serious and weighty studies on FRP in the UK, and command serious consideration.

Transferable allowances
From Mr J. Stirling
Sir—The letter from Mrs Barwise (October 11) is interesting in that it demonstrates opposition to reform can arise from a gross misunderstanding. Mrs Barwise asks, for example, why a mother and daughter living together be denied the facility of transferable allowances just because they cannot get married? The simple answer is that they have no need to transfer allowances as they do have, which a married couple does not have, the facility to transfer income (by deed of covenant).

Intellectual property
From the Chairman, Intermotor
Sir—The Government proposals for reform of intellectual property law are not necessarily misunderstood by companies that will be affected, but do appear to be misrepresented by Mr P. Orton (October 14). There are many arguments and points that can be made against these proposals but I will mention only three.

The proposed new laws will not protect only inventive or innovative ideas, but will extend to any simple functional design, even a slight variation of an existing product. This will lead more to legal ingenuity rather than design ingenuity. "Inventive" ideas of protection is a complete monopoly for five years and a part monopoly for another five years. A small change of design can perpetuate this situation.

Comparing forecasts
From Mr A. Leighton
Sir—(read October 16) that the Treasury is entering the business of publishing comparisons of the economic forecasts of other organisations. Should this prove to be profitable, I hope we will see the operation sold off to one of the private organisations which have, from time to time, provided a similar service.

Gasless in Bucks.
From Mr A. Stevens
Sir—I notice that British Gas is (like the TSB) giving preference to existing customers when deciding the allocation of shares under the privatisation programme.

Commercialised culture
From the Managing Director, Radio, BBC
Sir—Samuel Brittan's latest Lombard column (October 13) makes bullish estimates of the self-off value of Radios 1 and 2 as "going concerns". But do broadcasters really own transferable rights in the frequencies they are licensed to occupy? If so, it is news to me—and will be to Granada, Thames, London Weekend TV, etc.

IF YOU'RE WORRIED ABOUT GROWING PAINS, GIVE YOURSELF A CHECK UP.

No healthy company can avoid growing pains. But how you cope with them can make the difference between profitable growth and failure. Fortunately you don't have to face them alone; we can help.

This questionnaire is divided into four stages of growth which, in our experience, healthy companies go through in one form or another.

And if you look you can see below exactly where we can help you.

Tick the boxes in the appropriate sections, fill in the personal details and return the whole advertisement to us.

In return we will contact you from our nearest Growing Business Unit which operates from offices all over the country. Arthur Andersen & Co. is one of the world's biggest accountants.

Much of our business is derived from companies that have grown up with us. Which is why, not unreasonably, we are keen to provide this service to growing companies.

STARTING A BUSINESS

Do you need help with your business plan? YES NO

Do you need assistance in preparing and reviewing financial projections? YES NO

Do you need tax advice on an appropriate legal structure? YES NO

Do you need advice on financing strategies? YES NO

Do you need someone to make contact with the specialists you'll need—bankers, lawyers, etc? YES NO

RAISING FINANCE FOR DEVELOPMENT

Do you need help to update the business plan? YES NO

Do you need someone to talk to on systems development, timing and planning? YES NO

Do you need help to establish procedures for preparing internal budgets and cash flow projections? YES NO

Do you need advice on when and how to recruit a good Finance Director? YES NO

Do you need help in getting all the grants, tax allowances and other assistance available? YES NO

Do you need advice in assessing and meeting your financial needs? YES NO

Do you need someone to introduce you to financiers? YES NO

Do you need assistance in developing remuneration packages to attract key people? YES NO

RAPID EXPANSION

Do you need assistance in strategic and organisational planning? YES NO

Do you need help in developing computer systems which will help management's changing needs? YES NO

Do you need help establishing accounting and other management information systems? YES NO

Do you need help to identify and assess companies available for acquisition? YES NO

Do you need help to assess the tax, financing and other implications of overseas expansion? YES NO

GOING PUBLIC

Do you need advice on assessing whether going public will meet your business objectives? YES NO

Would you like introductions to stockbrokers and bankers and someone to liaise with them? YES NO

Do you need to talk to someone about public reporting responsibilities and what it means for your business? YES NO

Do you need someone to help you prepare for going public? YES NO

NOW YOUR DETAILS.

Please fill in the following details and return the complete advertisement to John Ormerod at Arthur Andersen & Co., 1 Surrey Street, London WC2R2PS. We shall contact you very soon. FT 20/10

Name: _____
Position: _____
Company: _____
Type of Business: _____
Address: _____
Tel. No.: _____
Current Turnover: _____
Projected Turnover: _____
No. of Employees: _____

ARTHUR ANDERSEN & CO.
Chartered Accountants

ARLINGTON-BELFAST-BIRMINGHAM-BRISTOL-CAMBRIDGE-CARDIFF-EDINBURGH-GLASGOW-LEEDS-LIVERPOOL-LONDON-MANCHESTER-NEWCASTLE UPON TYNE-NOTTINGHAM-PRESTON-READING

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FINANCIAL TIMES

Monday October 20 1986

Hull has the answer City of Hull

Roderick Oram on Wall Street Mammon for China Post-Mao

THREE WEEKS from today, some 25 men and one woman representing the cream of Wall Street... Mammon comes to post-Mao China.

Turkey plans measures to liberalise its markets

By David Barchard and Alan Friedman in Ankara

THE TURKISH Government is expected to announce shortly a series of important measures designed to liberalise the country's embryonic financial markets.

companies are paying as much as 70-80 per cent for bank loans. This high interest rate structure, which reflects the country's 30-35 per cent inflation level and a need for banks to recoup profits to cover huge bad debts...

VW, MAN in talks on supplying trucks to Enasa

By Kenneth Gooding in London

VOLKSWAGEN and MAN of West Germany are in talks about the supply of light trucks to Enasa, the state-owned Pegaso vehicles group of Spain.

THE LEX COLUMN Low tide on Dover beach

Even a relatively mild case of this sort would make a painful difference to the attractiveness of the investment.

The simple fact about Eurotunnel is that the very long 'duration' of its paper must make it more risky (and in the ordinary sense more volatile) than more conventional investments with the same internal rate of return.

Plan to solve EEC cash crisis by splitting off farm spending

By Quentin Peel in Brussels

A PLAN to resolve the EEC's chronic cash crisis by splitting the budget into two self-contained parts - one for farm spending and one for other policies - is proposed in a report out today.

change rate and the world price of farm produce, beyond EEC control. "It is becoming increasingly clear that the existing pattern of Community policies is unsustainable within the Community's existing resources," the report says.

The proposal would seek to control the insupportable growth of agricultural subsidies and insulate all other spending plans, such as social and regional programmes, from its unpredictable consequences.

They admit that the plan would have unequal effects on the different member states - in particular putting paid to any hopes the poorer Mediterranean states might have of getting an increasing share

The partners originally hoped for a joint-venture vehicle to reach 15,000 a year, with 10,000 for export, but production has never been above 5,000.

The MAN-VW venture is now marginally profitable and the two German groups have renegotiated their deal so that all production will take place at MAN's Seitzinger factory, near Hanover, whereas it has been shared with VW's Hannover plant in the past.

Enasa is one of Western Europe's smaller producers of heavy trucks. Output this year will be about 6,500 heavy trucks and 4,000 vans and light trucks up to 4.5 tonnes gross weight.

The Spanish Government has in the past two years attempted to sell the company and there have been serious discussions with General Motors of the US, Renault of France and Toyota of Japan, but with no positive result.

Mr Kurtis says Enasa, which suffered losses of Pta 15bn (\$125m) last year, should break even at the operating level in 1987. The time taken to return to a net profit will depend on whether Enasa is given a capital injection as part of the five-year plan to be drawn up by the end of this year.

Concern over 'zero option' Big Bang players act out stressful script

Continued from Page 1

ment directly, however, on complaints expressed last week by Gen Hans-Joachim Mack, West German Deputy Supreme Allied Commander in Europe, about US negotiating tactics at Reykjavik.

clean and admit on Stag that its computer system had failed and it would be unable to input prices during the morning session.

The second hurdle for the market-makers, after they had input their share prices on to Sea, was to adjust them, upwards if they were short of stock and wanted to attract sellers, downwards if they owned too much.

AEGON Insurance Group AEGON N.V. U.S.\$125,000,000 8 per cent. Bonds due 1993 and an issue of 75,000 Warrants to subscribe for U.S.\$75,000,000 9 per cent. Notes due 1992

There is deep European ambivalence at the prospect of the zero option being realised. The tentative Reykjavik agreement was that each superpower would leave only 100 warheads facing each other in the Soviet Far East and in the US Far West (Alaska).

Mr Shultz said yesterday that the US would pursue a separate agreement on intermediate nuclear weapons at the arms talks in Geneva.

Hazelnuts have not been without their problems either. Several weeks ago prices jumped in response to market talk that the Turkish crop - which provides three quarters of world supplies - had been contaminated by radiation from the Soviet Union's Chernobyl nuclear disaster.

As for peanuts, prices have skyrocketed as a result of a drought during the planting season earlier this year in the south-eastern US.

HK group in satellite talks

Continued from Page 1

would carry Western payloads into orbit, at a cut-price of about \$10m a satellite, using its Proton rockets. It has made a series of direct approaches to Immarsat, a London-based international body which operates satellites for marine communication.

So far, however, the Soviet offers have had a cold response. Companies and governments argue that the Soviet Union lacks any kind of track record in placing Western satellites into space - although the country has had considerable success in launching its own space hardware and some for the Indian Government.

Using Jardine Matheson as an agent would, it is argued, lend credibility to the Soviet case. It would be another sign that the Soviet Union is keen to co-operate.

World Weather

Table with columns for location, temperature, wind, and other weather metrics for various cities.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Hopes fade for early rally in bond prices

HOPES for another cut in the US discount rate...

US MONEY MARKET RATES (%) table with columns for instrument, last Friday, 1 week ago, 4 weeks ago, 12-month, and high/low.

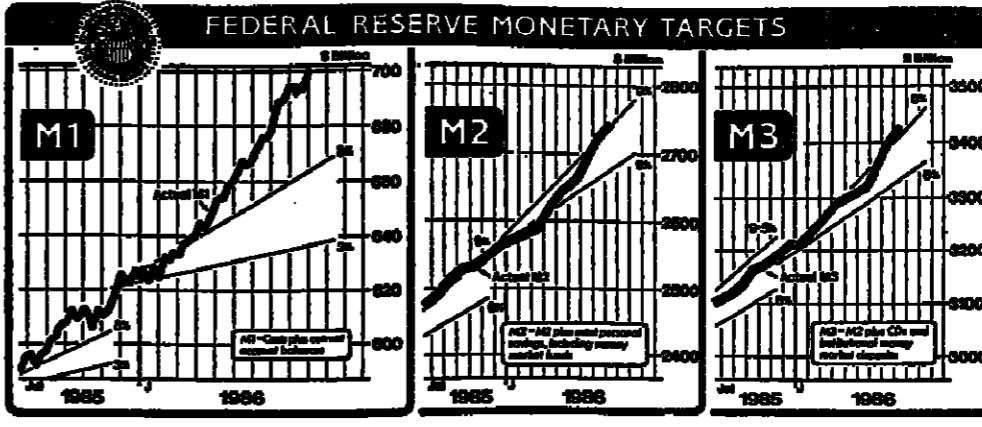
US BOND PRICES AND YIELDS (%) table with columns for instrument, last Friday, 1 week ago, 4 weeks ago, and yield.

growing number of forecasts of higher US inflation...

Although the 4.8 per cent jump in US retail sales...

7.6 per cent drop in housing starts in September...

Nevertheless, last week's news provided little support for the credit market fears...



"The probability of a near-term return to a 7 1/2 per cent or lower long bond yield becomes smaller..."

Boston's record-breaking \$4bn issue of securities backed by General Motors car loans...

Other key figures this week are the September consumer price statistics...

FT / AIBD INTERNATIONAL BOND SERVICE

Large table of international bond data with columns for instrument, last Friday, 1 week ago, 4 weeks ago, and yield.

The size of the quarterly auction is due to be announced on October 23rd...

UK GILTS

FAR FROM providing the answers which the gilt-edged market body needed...

Will interest rates go up again and when? When will sterling join the European Monetary System...

The market's snap answer to sell gilts off by one point on Friday...

The Chancellor made it clear that 11 per cent base rates were enough to cut out the inflationary dangers of the fall in the exchange rate...

Cold comfort from the Chancellor

But what does the Chancellor say if the markets do just that? By his own logic, interest rates would then need to be raised again to compensate for the latest fall in the exchange rate...

Mr Lawson and the Governor of the Bank of England do not even appear to be in complete agreement...

STERLING

sterling "and continued to sell surge in broad money had not been reasons behind his decision to raise borrowing costs..."

Until the current uncertainty about sterling and an appropriate level for interest rates is resolved, the gilt market is unlikely to make much headway...

THE GOVERNOR

The Governor said liquidity and credit had been growing uncomfortably fast, but the market was sure where the bottom of the market was.

But the Chancellor may find some help this week from two sets of economic data. He hinted strongly in his speech on Thursday that September's UK current account and trade figures would prove August's record deficits to have been highly erratic...

ASDA - MFI GROUP PLC £200,000,000 Multi-Option Facility. Includes list of underwriting banks, tender panel members, and facility/tender panel agent information.

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds...

BRITISH FUNDS

Table of British Funds with columns for Name, Price, and Yield. Includes sub-sections for 'Shorts' (lives up to five years) and 'Five to Fifteen Years'.

Over Fifteen Years

Table of British Funds with over fifteen years maturity.

Index-Linked

Table of Index-Linked British Funds.

UNITS

Table of Unit-linked British Funds.

COMMONWEALTH & AFRICAN FUNDS

Table of Commonwealth and African British Funds.

LOANS

Table of Loan British Funds.

AMERICANS

Table of American British Funds.

AMERICANS - Cont.

Continuation of American British Funds table.

CANADIANS

Table of Canadian British Funds.

BANKS, HP & LEASING

Table of Banks, HP & Leasing British Funds.

GOVT. STERLING ISSUES

Table of Government Sterling Issues British Funds.

CORPORATION LOANS

Table of Corporation Loans British Funds.

BEERS, WINES & SPIRITS

Table of Beers, Wines & Spirits British Funds.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails British Funds.

AMERICANS - Cont.

Continuation of American British Funds table.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont.

Table of Building, Timber, Roads shares.

DRAPERY & STORES - Cont.

Table of Drapery & Stores shares.

CHEMICALS, PLASTICS

Table of Chemicals, Plastics shares.

DRAPERY AND STORES

Table of Drapery and Stores shares.

ENGINEERING - Continued

Table of Engineering shares.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, Etc. shares.

HOTELS AND CATERERS

Table of Hotels and Caterers shares.

INDUSTRIALS (Misc.)

Table of Industrial (Miscellaneous) shares.

INDUSTRIALS - Continued

Table of Industrial shares.

Handwritten text at the bottom of the page.

Financial Times

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and other financial metrics.

LEISURE—Continued

Table of leisure and entertainment stocks including British Skyways, British Telecom, and various media companies.

PROPERTY—Continued

Table of property and real estate stocks including various land and housing development companies.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including various funds and trusts offering different asset classes.

FINANCE, LAND—Cont.

Table of finance and land-related stocks including banks, insurance companies, and landowners.

MINES—Continued

Table of mining stocks including various metal and coal mining companies.

INSURANCE

Table of insurance stocks including various life and general insurance companies.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including various automotive and aviation-related companies.

SHIPPING

Table of shipping stocks including various maritime and logistics companies.

SHOES AND LEATHER

Table of shoes and leather goods stocks including various footwear and leather manufacturers.

OVERSEAS TRADERS

Table of overseas traders including various international trade and commodity companies.

PLANTATIONS

Table of plantation stocks including various agricultural and land management companies.

LEISURE

Table of leisure stocks including various entertainment and media companies.

PROPERTY

Table of property stocks including various real estate and land development companies.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including various investment and financial services companies.

FINANCE, LAND, ETC.

Table of finance, land, and other stocks including various financial and land-related companies.

MINES

Table of mining stocks including various metal and coal mining companies.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including various companies from different geographical areas.

NOTES: Unless otherwise indicated, prices and net dividends are in pence and denominated in 25p. Estimated prepayments and cover are based on latest annual reports and accounts and other published information. Dividends are shown in pence and net dividends in pence and net dividends in pence. Dividends are shown in pence and net dividends in pence. Dividends are shown in pence and net dividends in pence.

LONDON RECENT ISSUES

EQUITIES

Table of recent equity issues with columns for Issue No., Issue Date, Last Date, High, Low, Stock, Change, Div., Div. Yield, P.E.

FIXED INTEREST STOCKS

Table of fixed interest stocks with columns for Issue No., Issue Date, Last Date, High, Low, Stock, Change, Div., Div. Yield, P.E.

"RIGHTS" OFFERS

Table of rights offers with columns for Issue No., Issue Date, Last Date, High, Low, Stock, Change, Div., Div. Yield, P.E.

AUTHORISED UNIT TRUSTS

Large table of authorised unit trusts with columns for Unit Trust Name, Issue No., Issue Date, Last Date, High, Low, Stock, Change, Div., Div. Yield, P.E.

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service with columns for Unit Trust Name, Issue No., Issue Date, Last Date, High, Low, Stock, Change, Div., Div. Yield, P.E.

A FINANCIAL TIMES SURVEY MERSEYSIDE. The Financial Times proposes to publish this survey on: MONDAY, 17 NOVEMBER, 1986. For a detailed editorial synopsis, please contact: BRIAN HERON, FINANCIAL TIMES, QUEEN'S HOUSE, QUEEN STREET, MANCHESTER M2 5HT. Tel: 061-834 9381 Telex: 666813. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER.

F.T. CROSSWORD PUZZLE NO. 6,155

Crossword puzzle grid with 10 numbered squares and the word 'QUARK' in the top row.

ACROSS: 1 Sailor man in waterproof material (9); 2 Rotten beer. III? No—just showing dissent (9); 3 Way-out in the theatre? (5-5); 4 Nerve (but not of steel) (5); 5 Tuna let out as dome's opening (7); 6 Company bar in a tizzy—poison found in it (5); 7 Man standing up above people describes a jacket (7); 8 Variety of Wrongs—wrong—how it belongs to another country (9); 9 Address welcome here (10); 10 Some toast in this drink (4); 11 Vessel to fit out in future (7); 12 It describes certain address as tonic (7); 13 Day not settled, i.e. end is variable (4, 3); 14 Never lost—without hesitation, could be able to pay all debts (7); 15 Poet forbidden to an audience (4); 16 After hearing etc., intuition required? (5, 5); 17 Doctor into a cure for drink (5); 18 Eye a stunt—contribution for raising dough (5); 19 Firm back (5); 20 Representative with a cheque (9). DOWN: 1 Changes course of action. A duty, it is said (5); 2 Rotten beer. III? No—just showing dissent (9); 3 Way-out in the theatre? (5-5); 4 Nerve (but not of steel) (5); 5 Tuna let out as dome's opening (7); 6 Company bar in a tizzy—poison found in it (5); 7 Man standing up above people describes a jacket (7); 8 Variety of Wrongs—wrong—how it belongs to another country (9); 9 Address welcome here (10); 10 Some toast in this drink (4); 11 Vessel to fit out in future (7); 12 It describes certain address as tonic (7); 13 Day not settled, i.e. end is variable (4, 3); 14 Never lost—without hesitation, could be able to pay all debts (7); 15 Poet forbidden to an audience (4); 16 After hearing etc., intuition required? (5, 5); 17 Doctor into a cure for drink (5); 18 Eye a stunt—contribution for raising dough (5); 19 Firm back (5); 20 Representative with a cheque (9). The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Handwritten signature or mark at the bottom center of the page.

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and overseas funds, including Standard Life Assurance Company, Sun Life of Canada, and others, with columns for fund names and values.

Table listing insurance and overseas funds, including British Capital Services Ltd, Bridge Management Ltd, and others, with columns for fund names and values.

Table listing insurance and overseas funds, including Merrill Lynch Investment, H.N. Samuel Investment, and others, with columns for fund names and values.

Table listing insurance and overseas funds, including J. Henry Schroder Wagg & Co Ltd, Schroder M&P Services (Jersey) Ltd, and others, with columns for fund names and values.

Table listing offshore and overseas funds, including Accidents Investment Fund SA, AIG Investment, and others, with columns for fund names and values.

Table listing offshore and overseas funds, including British International Fund, British Overseas Fund, and others, with columns for fund names and values.

Table listing offshore and overseas funds, including British Overseas Fund, British Overseas Fund, and others, with columns for fund names and values.

Table listing money market bank accounts, including Standard Chartered Bank, Citibank, and others, with columns for account names and interest rates.

Notes and additional information regarding the financial data, including a disclaimer about the accuracy of the information.

WORLD STOCK MARKETS

AUSTRIA

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Austrian stocks like Creditanstalt, Hypo Alpin, etc.

GERMANY

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various German stocks like BASF, Siemens, Volkswagen, etc.

FRANCE

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various French stocks like Air France, Bouygues, etc.

ITALY

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Italian stocks like Agnelli, Eni, etc.

SWEDEN

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Swedish stocks like Astra, Volvo, etc.

NORWAY

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Norwegian stocks like Statoil, etc.

GERMANY

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various German stocks like Bayer, Linde, etc.

FRANCE

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various French stocks like Peugeot, Renault, etc.

ITALY

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Italian stocks like Fiat, Eni, etc.

SWEDEN

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Swedish stocks like Astra, Volvo, etc.

NORWAY

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Norwegian stocks like Statoil, etc.

AUSTRALIA

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Australian stocks like BHP, Woolworths, etc.

JAPAN

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Japanese stocks like Dai-ichi Kangyo Bank, etc.

HONG KONG

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Hong Kong stocks like HSBC, etc.

SINGAPORE

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Singapore stocks like Overseas Chinese Banking Corp, etc.

SOUTH AFRICA

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various South African stocks like Anglo American, etc.

JAPAN

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Japanese stocks like Dai-ichi Kangyo Bank, etc.

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SOUTH AFRICA

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various South African stocks like Anglo American, etc.

SPAIN

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Spanish stocks like Banco de España, etc.

CANADA

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Canadian stocks like Alcan, etc.

TORONTO

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Toronto stocks like Alcan, etc.

MONTREAL

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Montreal stocks like Alcan, etc.

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MONTREAL

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Montreal stocks like Alcan, etc.

NEW YORK

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various New York stocks like Dow Jones, etc.

CANADA

Table with columns: 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various Canadian stocks like Toronto, Montreal, etc.

INDICES

Table with columns: Index Name, 1986 High, 1986 Low, October 17 Price, 1986 High, 1986 Low, October 17 Price. Lists various global indices like DAX, Nikkei, etc.

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, October 17

Main table of stock prices with columns for 12 Month, High, Low, Stock, Div. Yld., P/E, 100s High, Low, and various stock symbols like AAR, AAT, AFG, etc.

Continued on Page 31

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, Price, Change, and Volume. Includes sub-sections for 'Continued from Page 30' and 'Over-the-Counter'.

Table of AMEX Composite Closing Prices. Columns include Stock, Price, Change, and Volume. Includes sub-sections for 'Continued from Page 30' and 'Over-the-Counter'.

OVER-THE-COUNTER Nasdaq national market, closing prices October 17

Table of Over-the-Counter (Nasdaq) closing prices for October 17. Columns include Stock, Price, Change, and Volume.

Hand Delivery Service advertisement for Cannes/Grenoble/Lyon/Monaco/Nice/Paris/Strasbourg/Toulouse. Includes contact information for Ben Hughes.

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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound causes concern as dollar seeks direction

BY COLIN MILLHAM
STERLING gave cause for some concern last week, and tended to be the spotlight of the dollar. There were plenty of US and British economic figures for the market to examine, but these had no strong impact.

September US industrial production rose 0.1 per cent, against forecasts of a fall of around 0.2 per cent, but the figure was not strong enough to change the view that the US economy is performing sluggishly. Further evidence was supplied by the larger than expected fall of 7.6 per cent in September housing starts.

Mr Nigel Lawson, Chancellor of the Exchequer, speech at the Mansion House on Thursday. Mr Lawson's speech was also directly connected with the rise of 1 per cent in UK bank base rates prompted by the authorities on Tuesday.

under the pound, and tended to look on the move as a sign of weakness, which could be exploited by putting further pressure on the currency. The Chancellor's speech failed to convince the market that another 1 per cent rise could be avoided, and when sterling opened in London on Friday morning it quickly lost 1 cent against the dollar and fell to a record low against the D-Mark.

ber from 24 per cent, while an increase in fuel and raw material prices pushed up manufacturers' import costs sharply by 1.7 per cent in the same month. Unemployment news rarely moves financial markets, and the underlying fall of 22,000 in September UK unemployment had a similar impact to the lower than expected provisional PSBR figure of £2.2bn for the same month. The figures were encouraging, but were virtually ignored as the market had its attention elsewhere.

port the dollar. On Tuesday central banks, including the West German Bundesbank, bought an estimated \$1bn, but as a director of the Bundesbank suggested at the end of the previous week, the intervention could only slow the dollar's decline and not reverse it. This followed similar co-ordinated intervention the previous Tuesday, and may be enough to prevent the market from attacking the dollar too hard if tomorrow's third quarter US gross national product growth figure disappoints. Dollar sentiment remained bearish, but the market was looking for the GNP figure to provide direction.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Oct 17, Latest, Previous Close. Rows: Belgium, France, Germany, Greece, Italy, Netherlands, Spain, UK.

STERLING INDEX

Table with columns: Oct 17, Previous. Rows: 9.00 am, 10.00 am, 11.00 am, 12.00 pm, 1.00 pm, 2.00 pm, 3.00 pm, 4.00 pm.

CURRENCY MOVEMENTS

Table with columns: Oct 17, Bank of England, Morgan Guaranty. Rows: Sterling, US Dollar, Canadian Dollar, etc.

CURRENCY RATES

Table with columns: Oct 17, Bank of England, Morgan Guaranty. Rows: Sterling, US Dollar, Canadian Dollar, etc.

EXCHANGE CROSS RATES

Table with columns: Oct 17, £, DM, Yen, etc. Rows: £/DM, £/Yen, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: Oct 17, Short term, 7 Day notice, One Month, etc. Rows: Sterling, US Dollar, etc.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Oct 17, Day's spread, One month, Three months, Six months, One Year. Rows: US, Canada, etc.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Oct 17, Day's spread, One month, Three months, Six months, One Year. Rows: UK, France, etc.

FORWARD RATES AGAINST STERLING

Table with columns: Spot, 1 month, 3 months, 6 months, 12 months. Rows: US Dollar, D-Mark, etc.

MONEY MARKETS

Chancellor fails to convince

DEALERS ON London's financial markets were not convinced by the end of last week that they had heard the last on the subject of higher interest rates. For most of the week they had given Mr Nigel Lawson, Chancellor of the Exchequer, the benefit of the doubt about economic policy, but the signs on Friday were not encouraging.

UK clearing bank base rate leading rate 11 per cent since October 15. live to putting rates up by 2 per cent, or leaving the rate structure unchanged and hoping that pressure for an increase would ease. There were already signs early in the week that pressure was easing, and the rise therefore came as quite a surprise.

narrow money supply indicator, Mo, was an acceptable reason for the 1 per cent rise, did not gain much support. Dealers feared that the impact on the currency and money supply growth would not be strong enough. The immediate reaction to the Chancellor's speech at the Mansion House on Thursday was that he had failed to convince the City that the currency and economic policy are running on a safe course. Three-month interbank rates finished on Friday at 11 1/2 per cent, pointing to another rise of at least 1/4 per cent in bank base rates, while the pound fell to a record low of DM 2.8250 against the D-Mark.

One favourable sign was that the discount rate remains unchanged at 10 per cent. On the previous two weeks the Bank of England decided not to allow any bills, but on Friday the average rate of discount was 10.9928 per cent, and roughly in line with the present rate structure. This might at least mean the house does not believe there will be another rise in base rates as early as this week.

FT LONDON INTERBANK FIXING

Table with columns: Oct 17, Oct 16. Rows: 11.00 am, 11.30 am, 12.00 pm, 12.30 pm.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Oct 17, Oct 16. Rows: Bills on offer, Total applications, etc.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: Oct 17, change. Rows: LONDON, TOKYO, BRUSSELS, AMSTERDAM.

MONEY MARKETS

Table with columns: Oct 17, Oct 16. Rows: 11.00 am, 11.30 am, 12.00 pm, 12.30 pm.

LONDON MONEY RATES

Table with columns: Oct 17, Oct 16. Rows: Interbank, Sterling CDs, Local Authority Deposits, etc.

NEW YORK

Table with columns: Oct 17, Oct 16. Rows: Treasury Bills and Bonds, Prime rate, etc.

TREASURY BILLS AND BONDS

Table with columns: Oct 17, Oct 16. Rows: 13-week, 26-week, 52-week Treasury Bills, etc.

CHICAGO

Table with columns: Oct 17, Oct 16. Rows: 13-week, 26-week, 52-week Treasury Bills, etc.

CHICAGO

Table with columns: Oct 17, Oct 16. Rows: 13-week, 26-week, 52-week Treasury Bills, etc.

WestLB Eurobonds - DM Bonds - Schuldscheine for dealing prices call. Includes contact information for WestLB in London, Luxembourg, and Hong Kong.

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FINANCIAL TIMES SURVEY

Arena of economic growth

IT IS almost a cliché to say that the Pacific Rim is where the future lies. There, the pioneering virtues which gave birth to the Industrial Revolution in Europe are to be found fashioning the 20th century economic miracle.

It is not surprising, therefore, that any prolonged blip in the region's economic heartbeat, such as the one recorded in south-east Asia over the past two or three years, should cause concern in the business houses of Europe and the US and provoke a re-assessment of investment strategies.

The "Singapore Express," the locomotive that has helped to give the city state a standard of living undreamt of 25 years ago, has been derailed by a combination of ill-fortune and bad management. At the same time the failure or near-failure of various high-flying companies in the region—Carrian and the Tung shipping group, in Hong Kong, Thailand's First Bangkok City Bank and Pan-Electric in Singapore—have tended to reinforce this perceived sense of reversal.

Growing protectionism in the West and the depressing effect on some of Asia's most vibrant economies of US economic sluggishness have also taken their toll. The effects of declining commodity prices on growth rates in Indonesia and the rest of South East Asia as well as in Australia—where there has been a steady disintegration of the Labor government's compact with the trade unions—have all added to the uncertainty of the region's future.

To these questions could be added the long term challenge to Japan's export performance by the inexorable rise of the mighty yen and the fear that the region's vitality will be sapped by the lack of stable political structures. The penetration of Russian military strength into Asia to challenge American dominance is another worrying factor.

Set against these concerns, however, two of the region's most important characteristics stand out: the first is its underlying strength and economic potential, a treasure store of primary resources, entrepreneurial vibrancy and disciplines

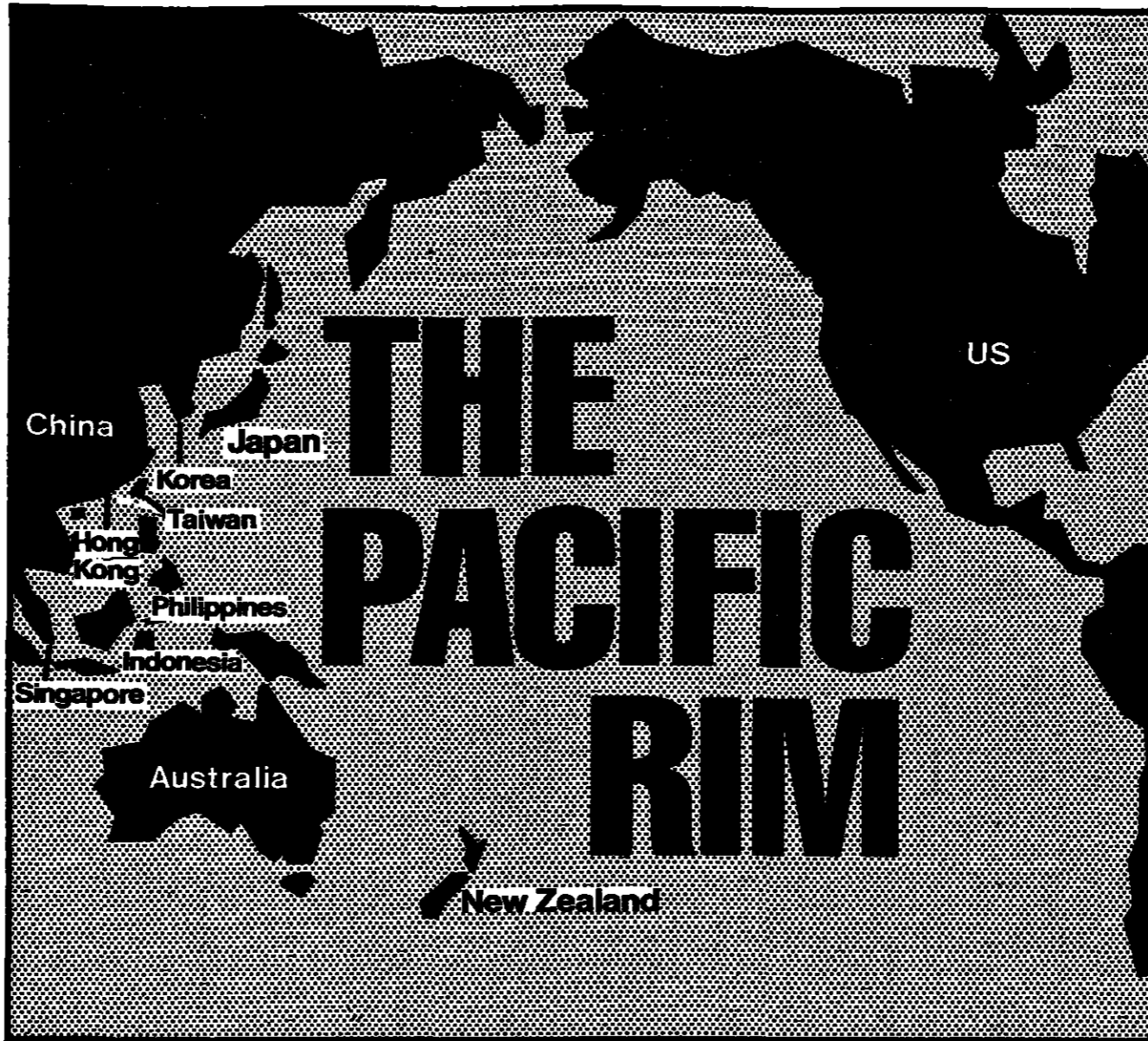
which are rooted in a rich and diverse cultural heritage. The second is the ability of countries in the region to bend to the prevailing wind and emerge reasonably unscathed from political and economic crises.

The 34 countries which circle the Pacific Rim and the 23 island states scattered across 70m sq miles account for more than half the world's population and half its total wealth. They embrace the full spectrum of political and economic systems, from the unbridled capitalism of the US to the military dictatorship of South America and the Marxist regimes of Indo-China.

They speak more than a thousand languages between them, and display the richest religious and cultural traditions of any region in the world. A bewildering profusion of races exists among its 2.4bn people.

The Pacific rim possesses 21 per cent of the world's oil resources, 83 per cent of its wool, 67 per cent of its cotton, 87 per cent of its natural rubber and 94 per cent of its natural silk. Sometimes, it seems to have a monopoly on enterprises.

Individually and collectively, countries in the region have contributed to a fundamental shift of power from the Atlantic and, thanks to the facility of modern communications, have emerged as the most con-



sistently reliable economic performers since the end of the second world war.

Three years ago US trade with Asia outstripped, for the first time, the flow of goods and services across the Atlantic. In 1975, US trade with East and South-East Asia totalled \$42bn. By last year this had surged to \$200bn.

The reawakening of China as a vital and potentially vast new market has added to the excitement of a region already vibrant with the success of Asia's Four Tigers—South Korea, Singapore, Hong Kong and Taiwan.

The pathfinder for this

remarkable performance has, of course, been Japan which, from 1950 to 1973, notched up growth rates of over 10 per cent a year, or more than twice the world average. It has since exported not just its goods and services but also its business acumen to the rest of the world.

More recently Japan has become a major player in the world's capital markets. In 1984, Japan's current account surplus was \$25bn. This year it could reach \$70bn. Some \$40bn of Japanese savings have helped fund the US budget deficit over the past two years. Tokyo now has the world's

second largest stock exchange, and the yen is fast taking on the aspect of a world currency.

Despite the difficulties of countries such as Singapore, others continue to perform impressively. Taiwan was the fastest growing economy in the world in 1984. South Korea, devastated by war only 32 years ago, confidently expects to be the fifteenth richest country in the world by the year 2000.

Even those countries, such as the Philippines, faced by potentially disastrous civil conflicts, have emerged apparently stronger thanks to a resilience which is characteristic of the region.

The significance of the Pacific basin has been recognised both by the Americans and the Russians. In the US, both political and economic influence has shifted imperceptibly from the east to the west coast. Though he may appear obsessed with the Soviet Union, President Ronald Reagan (a Californian) has devoted much of his energies to consolidating American ties across the Pacific, most notably with China.

Mr Mikhail Gorbachev, the energetic new leader in the Kremlin, signalled his own recognition of the importance of the Asia-Pacific region in a

The end of the Vietnam War in 1975 saw the coming of age of a new economic and political region, grouped around the rim of the Pacific Ocean. Many of the nations in the region, strategically located on trade routes vital to both East and West, have enjoyed unprecedented economic vitality.

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major policy speech in Vladivostok on July 28. After more than two decades of neglect, not all of it benign, the Soviet Union is attempting to reassert its influence in the region.

Although they may disagree over specific issues, such as Moscow's backing for the Vietnamese occupation of Kampuchea, Mr Gorbachev and Deng Xiaoping, the Chinese leader, take the same pragmatic view of the world. The fraternal embrace of the 1950s may no longer be possible but Moscow and Peking appear firmly set on the road to a practical working relationship.

After the upheavals of the mid-1970s, when the US was driven from Vietnam and General Eisenhower's dominoes appeared to be falling one by one, a stability of sorts has settled over the region.

The future is unlikely to be without incident or even upheaval. The growing consciousness of the peoples of Melanesia, coupled with a growing resentment of France's colonial presence in New Caledonia and its nuclear testing programme in Polynesia, presage troubled times ahead.

CONTINUED ON PAGE 8

Thank you Mr. Magellan for showing us the way.

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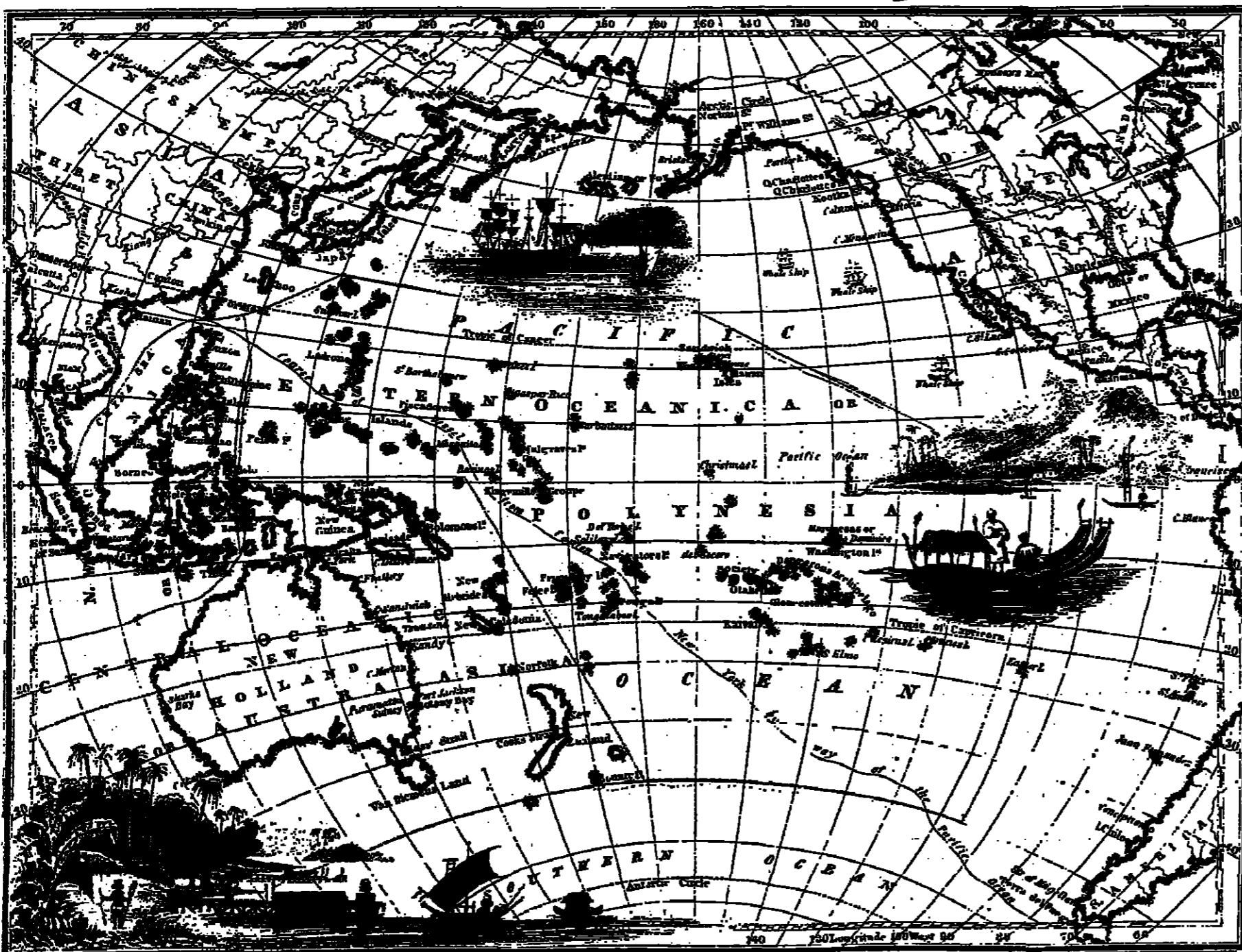
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For further information, please contact: Murray Jackson, Manager Trading Development, BHP, 140 William Street, Melbourne, Vic. 3000. Australia. Telex: AA31846 Fax: (03) 609 3783.



Australia's International Resources Enterprise

THE PACIFIC RIM 2

The Overseas Chinese

A cementing force of 30 million people

"WHEN YOU talk about the overseas Chinese, you talk about the miserable history of China," says Professor Zhu Jieqin, head of the Institute of Overseas Chinese Studies at Canton's Jinma University.

Huagiao have their ancestral roots in Guangdong or Fujian. First emigrants were traders, with Cantonese businessmen like Xie Qingao sending home letters describing the streets of London—and the revelation of piped water supplies—more than 200 years ago.

At the same time, consolidation of plantations in Malaysia and Indonesia mainly by British and Dutch colonial companies led to a heavy demand for plantation workers.

China Chows from the far north east of Guangdong province tended to settle together in Thailand, Vietnam and Singapore.

Around the Pacific Rim, there can be no other cementing force as important as the 30m overseas Chinese—or "Huagiao," pronounced Huachiao—who act as mediators for international trade and investment, are among the most highly educated in any community where they are found, and today run many of the major corporations in the countries where they have settled.

As China's vast economy has opened up to the outside world it is the overseas Chinese community which has spearheaded foreign efforts to build business and trading links with the mainland.

Commercial property in the city. Chinese run a large number of the leading electronics companies in nearby Silicon Valley—including the Wang Group.



Traders from Singapore familiarise themselves with the "open outcry" system of floor trading at the Chicago Mercantile Exchange during a two week training and orientation session

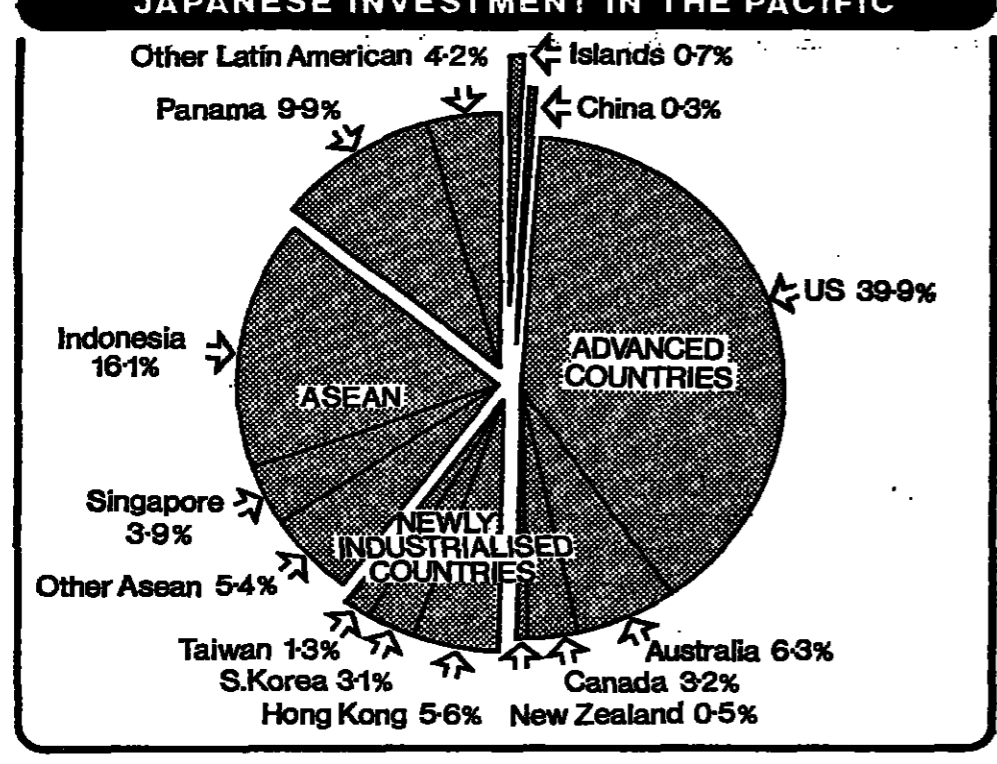
prompted thousands to seek the security of an alternative nationality. It is difficult to gauge the economic impact of these migrant flows, and the investments that have made migration possible.

longer be certain that his successor will provide similar shelter, with the result that substantial fortunes have been invested outside Indonesia to provide protection against an uncertain future.

In Malaysia, where Chinese make up about 30 per cent of the population, laws have been drafted quite specifically to discriminate against the Chinese so that indigenous "Bumiputras" can establish a toehold in business areas long-dominated by the Huagiao.

as a 17-year-old schoolgirl, may be on the point of breaking new ground as she fights for a seat on the city's board of supervisors. For the first time in its long history, the city's Chinese community appears to be competing in support for her. If successful, she will be the first ethnic Chinese ever to be elected on to the board.

JAPANESE INVESTMENT IN THE PACIFIC



A JAPANESE recognition of the potential value in a more cohesive relationship with the countries which fan out in the ocean around it has long been on the official agenda. A Tokyo conference on the subject was convened in 1982, and the late Prime Minister Ohira's subsequent enthusiasm for Pacific Basin co-operation gave rise to anxiety among South-East Asian governments that this would represent just another arena of dominance for the industrialised North.

Japan's influence in the region

Trade involvement deepens

evolved. Groupings like this, while tireless as conveners of conferences have shown little sign of incubating a more substantive rule of, say, arbitrator in disputes or under of arrangements for trade.

to the fore when sites were being selected. If, as a result, the US and Europe have been favoured with the headline investments Toyota to Kentucky, Nissan for Tyne and Wear — a spate of smaller deals is now boosting vehicle output in Taiwan and South Korea.

In the past, Japanese direct foreign investment to the region was accompanied by exports of capital goods for the projects involved. Now, US equipment is being bought more readily for installations there, while Asian countries are also able to offer somewhat more from their own resources.

well-made, well-priced product. It could be thought unwise that this would be among the first to be turned away when circumstances altered.

F. & C. Pacific Investment Trust PLC

Advertisement for F. & C. Pacific Investment Trust PLC. Includes a map of the Pacific region with callouts for investment percentages in various countries: Thailand (0.3%), Hong Kong (5.7%), Japan (56.9%), Canada (0.7%), USA (19.4%), Korea (0.4%), Malaysia/Singapore (2.6%), Australia (8.5%), New Zealand (0.3%), and UK (5.1%). Text states: "F. & C. Pacific had total assets of £172m at 31st August 1986, + 67.9% in net assets per share over the year. With investments on every coast of the ocean, the shareholders can benefit from all the economies of the most dynamic region of the modern world."

But as Japanese ministries continue eagerly to sidestep tripwires like these, a far more fundamental shift has been occurring in the private sector. Companies are moving production abroad at a rate which is accelerating by the month, fuelled by a 40 per cent rise in the yen against the dollar over the past year.

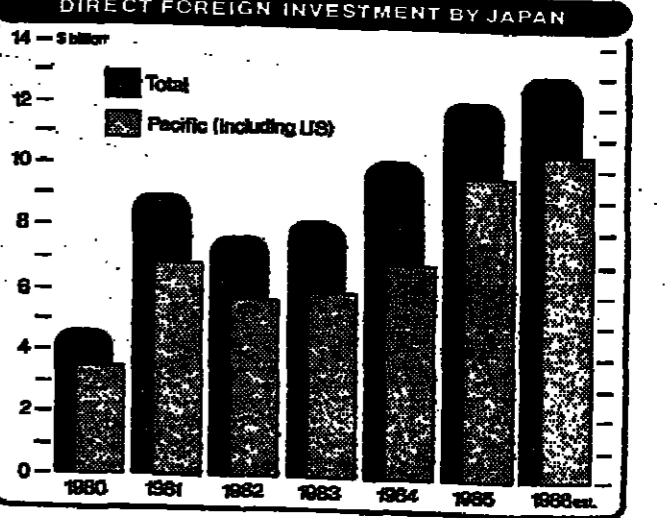
Overall, though the US remains a powerful magnet for Japanese direct investment abroad, accounting for roughly a third of an annual total which the Export-Import Bank of Japan says is running at \$15bn.

Makers of consumer durables such as television sets were shaken to discover that the world's biggest new market for their products had, for the moment, all but ceased to exist.

As the electronics sector responded tentatively in revising profit projections, further downward, arbitrary external factors were easy to blame. The element of naivete within Japan shrouded by their earliest confidence is rather less tractable. It embodies much that can be justified—the quality of Japanese-made goods and the assurance of timely delivery among them. Having opened its customs gates to a



Foreign exchange dealers in Tokyo: looking for bigger markets



THE PACIFIC RIM 3

Australia: on the doorstep of one of the world's fastest-growing economic regions.

Springboard for European and US traders

AS AUSTRALIA suffers under a mounting balance-of-payments problem requiring a big export drive if it is to be overcome, the country has only recently begun to recognise that on its doorstep is one of the fastest-growing economic regions in the world.

On the western side of the Pacific rim, stretching from Japan in the north, past the awakening giant of China, through the dynamic countries of south east Asia, down to the recently deregated New Zealand, is a region of the world doing best in the international economy.

South east Asia currently accounts for about 20 per cent of the world's GDP and through the adaptability of its member economies is widely tipped to keep growing at rates of around

5 per cent a year, while the older industrialised world of Europe and North America has to come to terms with major structural problems.

While a member of the ASEAN community in strategic terms, economically Australia is not yet one of them, and as a largely raw material supplier has been falling slowly behind in recent years as commodity prices tumble and the region's major exports, manufactured goods, increase.

In its favour the national government has recognised the problem and is moving to develop a number of export strategies to turn its geographical position in the region to economic advantage while proximity to Asian markets has made Australia an attractive springboard for European and

American companies wishing to trade in the region.

Historically Australia's ties with the Pacific rim have largely been due to the complementary nature of its resource richness with the scarce resources of its northern neighbours.

As Australia dug up much-needed minerals and produced heavy food surpluses its northern neighbours devoured the produce and returned with increasingly sophisticated manufactured goods.

The biggest economy in the region, ignoring the eastern side of the Pacific where the US dominates, is Japan.

Today, Japan is the number one destination for Australian exports accounting for nearly 30 per cent of the total while the US is in second place with

10 per cent and New Zealand third with about a 5 per cent share.

But the exports to Japan are largely raw materials such as iron ore and coal which in return Australia receives the ubiquitous Japanese cars and electronic goods.

Australia's problems are compounded by the fact that the Western Pacific rim countries have been generally moving towards manufactured products and away from food stuffs and agricultural raw materials for the past decade. They are turning instead towards the fastest-growing high-price areas of world trade, while Australia has been relatively slow to change.

That a number of recent developments within the Australian economy has combined to offer the prospect that the country has at least recognised its problems and is moving rapidly to overcome them.

The most important development was the floating of Australia's national currency and its resulting depreciation against a wide basket of other currencies, and allied with this has been an unprecedented period of industrial peace, with government action to break down the imposing system of tariffs and quotas.

The depreciation of the dollar has helped overcome one of the major barriers to Australian export industries, the high cost-structure and poor international competitiveness.

After the dollar fell nearly 40 per cent against other currencies, Australian companies suddenly found they could sell into the highly competitive Asian markets with some price advantage.

The depreciation also encouraged some overseas companies, such as Japanese car manufacturers with factories in Australia to consider building



Perth, Western Australia: venue for Pac Rim 86, the international symposium on finance, trade and investment in the Pacific rim region, November 16-19, 1986



Industrial transformation in China: a woman machine operator in a Canton factory

China

Dilemmas as the giant awakes

AN AWAKENING China has presented varying dilemmas to the Pacific Rim region. For Singapore, it is to take advantage of the "open door," while bearing in mind Peking's past instability. For Singapore and several others, the challenge is to expand trade, while not becoming overly dependent on the Asian giant.

Unlike many visiting leaders to stride through the "door," the Singaporean Prime Minister, Mr Lee Kuan Yew, has urged caution in dealing with China.

"There is always the danger that should economic co-operation with China expand, Singapore could become too dependent. And that could be disastrous when dealing with a communist country," he says.

However, the Australian Prime Minister, Mr Bob Hawke, has had little hesitation in pushing ahead with substantial development of trade, and has tried to hitch Australian industries, in particular, iron and steel, and wool, to China's modernisation drive.

That there are conflicting assessments of China's worth as a partner is a consequence of the short time China has been open for business, and of the country's record of political upheaval in the recent past. China is still an unproven commodity to many countries in the region.

A striking example of regional hesitancy has been Japan, China's major trading partner. Japanese companies have been quite willing to sell, but persistently reluctant to invest, much to the chagrin of Chinese officials, who point to a Japanese bilateral trade surplus last year of \$8bn as a sign that the relationship is unbalanced.

Of 2,360 equity joint venture contracts signed by the end of 1985, Japan had about 4 per cent in project number terms, well behind the US, 7 per cent, and Hong Kong, 77.5 per cent.

In US dollar terms, Japan had 15.6 per cent of all investment, ahead of the US, with 9.6 per cent, but well

behind Hong Kong, with 58.6 per cent.

In dollars, Europe accounted for 8.5 per cent of investment, other Asian countries for 4.1 per cent, and sundry other countries for 2.5 per cent.

Overall foreign investment fell by 20 per cent in the first half of this year, compared to the same period last year.

While China is surrounded by dynamic Asian economies, these countries, apart from Hong Kong, have so far played a limited role in Chinese development. For example, diplomatic complications are still a hindrance in the cases of South Korea and Taiwan.

South Korean trade officials made clear to me that they would be very keen to invest in Chinese projects, but Peking's close ties with North Korea has restrained relations, though supposedly unofficial trade bargains—bilateral trade through Hong Kong alone last year was about US\$500m, an 80 per cent increase on 1984.

not have diplomatic ties, with bilateral relations hampered by an attempted communist coup in 1981, but the countries signed a direct trade agreement in July last year.

Singapore has indicated that whether it establishes diplomatic ties with Peking depends on relations between Jakarta and Peking.

In a mid-October meeting with the former Australian prime minister, Mr Gough Whitlam, who recognised Peking immediately after taking office in 1972, the Chinese leader, Deng Xiaoping, said he is satisfied with current co-operation between China and Pacific countries.

However, while Peking says its growing regional role will be as a peace-keeper, several Asian leaders harbour concern that a radical change in political direction could make a more powerful China a more powerful foe. The Malaysian Prime Minister, Datuk Seri Mahatir Mohamad, has said his country will not be "caught napping" by a swing of political sentiment.

"As you know, countries do change and in the case of China we have seen very radical changes. No leadership of any country can be absolutely certain that the wishes of their country will not change," the Malaysian leader said.

He has been pleased by Chinese assurances that Peking provides no support for insurgent activity in Malaysia, but said during a visit here late last year that insurgents still believe China supports them.

"They still believe in outdated ideas and think they could get help from China simply because of ethnic connections. That is their belief, and because they believe that, they are not doing things in the interests of Malaysia and maybe not in the interests of Malaysian-Chinese relations."

The Chinese leadership is doing its best to ensure the political stability that will work against a sudden shift in foreign and trade policy.

Robert Thomson

Taiwan

On the other hand, China is only too willing for investment from Taiwan, but the Taipei Government maintains that it will never allow direct trade with or investment on the mainland, while allowing indirect exports.

Government information offices and Kuomintang officials emphasised during interviews last month that there has not been, and will not be, a softening of the "no contact policy," even though indirect trade last year was just over \$1bn, double that of 1984.

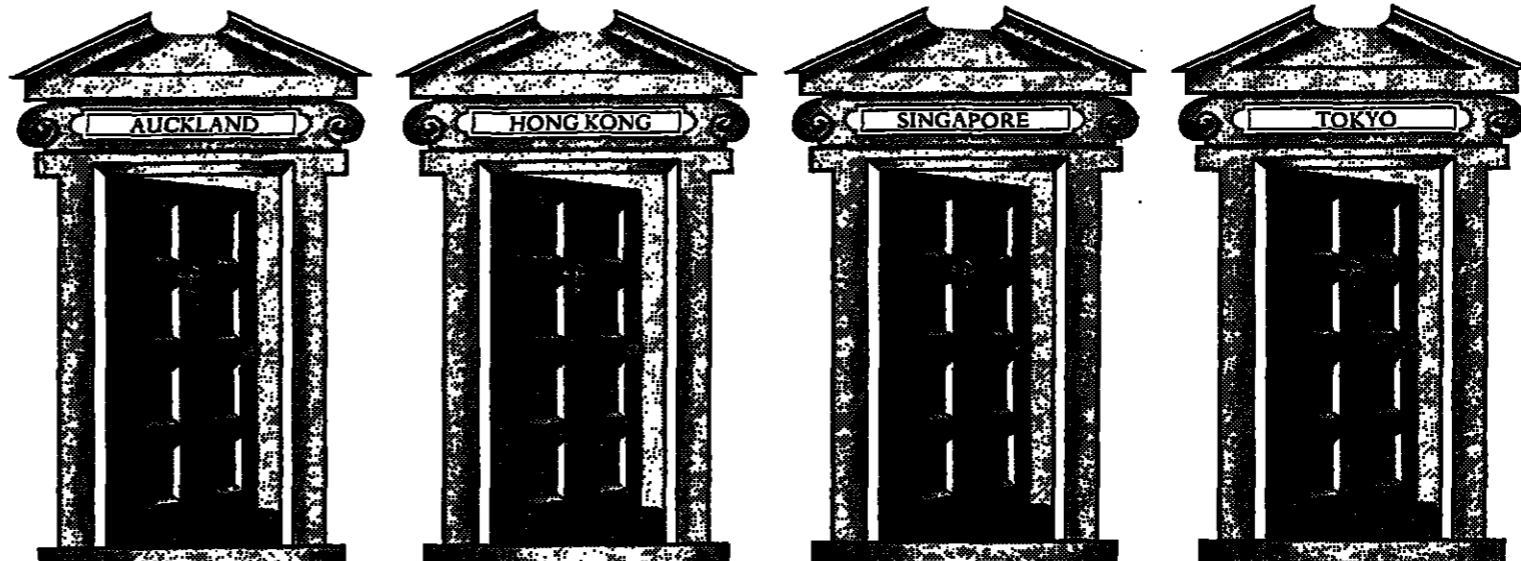
Taipei's senior spokesman, King-Yuh Chang, director-general of the government information office, said: "We stop our exports to Singapore, Hong Kong and Japan. If they ship them to the mainland, then that is their business."

China's influence, through trade and government-to-government ties, has grown as Peking's active support for regional communist parties has faded. Indonesia does



Barges carry export goods down the great Yangtze River at Chungking

Walk through any of these doors and you can be anywhere in the world

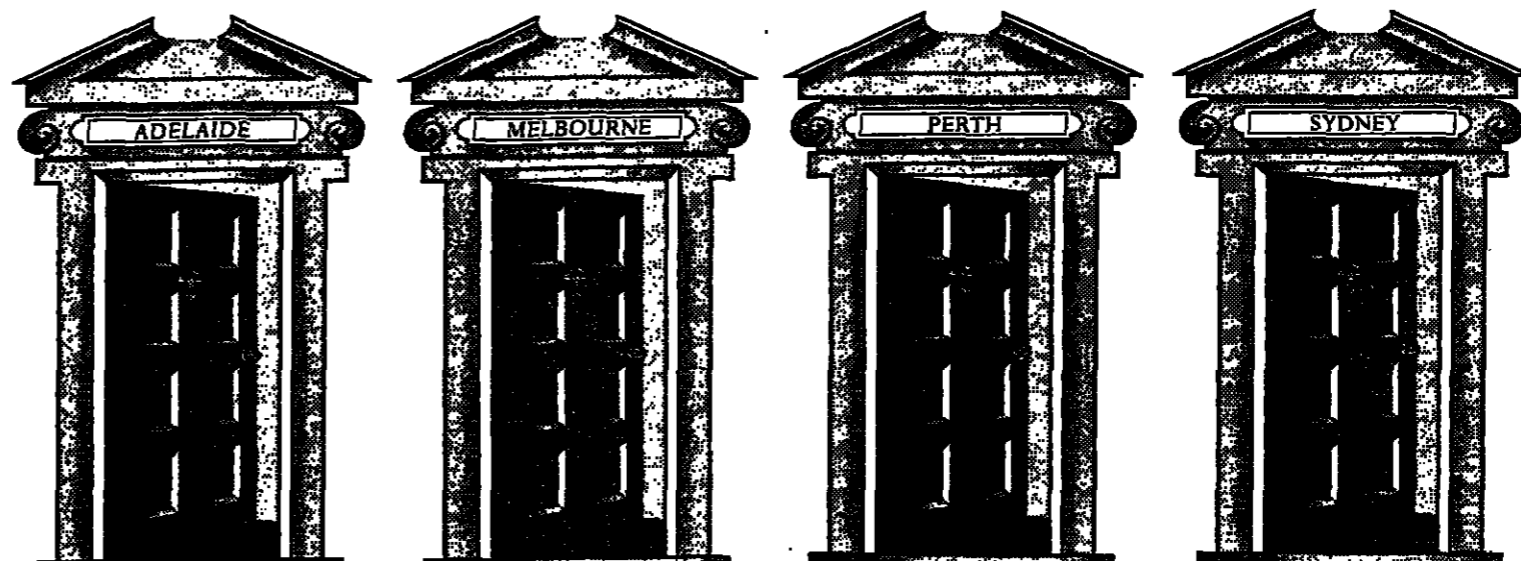


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Regional Financial Centres

Puzzle for the markets

THE PROSPECT of financial liberalisation in Tokyo has now placed a large question mark over the future of Hong Kong and Singapore, which are currently leading financial centres in the Asia Pacific time zone, providing key links in the 24-hour global trading clock.

Citicorp has now relocated its Asia Pacific headquarters to Tokyo from Hong Kong in anticipation of gaining improved access to Japan's vast capital surplus.

But Tokyo's growth is not necessarily going to spell the death knell for Asia's other financial centres. Indeed, growth in all centres seems the most likely course of events for the foreseeable future, despite some basic unknowns.

Singapore grew strongly through the 1970s as the centre of the Asian dollar market and has excelled at foreign-exchange trading, interbank lending and offshore deposit taking. Singapore has provided much of the funding for financial activities in Hong Kong, where the freer regulatory environment helped encourage growth of fund management, loan syndications and capital market activities.

Singapore is now beginning to make a bid to capture some of those activities from Hong Kong. The Monetary Authority of Singapore (MAS), the island-state's quasi-central bank, is in the process of redrafting some basic banking regulations with an eye toward encouraging local financial institutions to begin offering the plethora of new instruments that have taken hold in Hong Kong and elsewhere in the world.

Singapore and Hong Kong grew into the funding centres of the region, the booming centres for sovereign and private lending, while the banking system remained closed and tightly regulated. In the mean time, Japan's huge capital surplus has found little outlet

that is more imaginative than a US Treasury Bond.

Partly because of pressure from foreign governments, notably the US, and partly out of a need for more efficient recycling of capital, Japan is gradually opening its domestic financial markets to foreign financial institutions and is reducing restrictions.

It seems almost inevitable that the sheer volume of activity in Tokyo will grow to a point that it will tower over Asia's other centres. Yet a number of factors will continue to make Hong Kong and Singapore attractive. These include relatively friendly regulatory and tax regimes, something that both cities are sure to use to

compete on equal grounds with Hong Kong and Singapore for offshore business, but these smaller centres have a large headstart and they are likely to continue with strong efforts to stay ahead.

Hong Kong and Singapore have the experience, the expertise, and the infrastructure in place and running. "Hong Kong enjoys the advantages of a well developed and liberal market," says an Australian banker. "Its market is comprised of highly professional operators not only skilled in moving money, but with a sound understanding and appreciation of China."

China is frequently cited as the insurance policy on Hong

Singapore speaks of his local staff of 35 foreign exchange dealers as "natural traders." Communication and other infrastructural facilities, bankers say are superb, something that is vital when millions of dollars of foreign exchange are sloshing in and out of branches.

Singapore has recently reduced taxes and pension fund requirements that has significantly reduced the cost of running an office. Specific tax incentives are offered for offshore business.

In the coming months the Singapore Government plans to introduce a new market for government bonds. The Government does not need to raise funds, but the bonds will serve the purpose of establishing a risk-free benchmark price for securities. On the back of this, the Government hopes to foster the growth of markets for corporate bonds, negotiable certificates of deposit, and other tradeable securities.

Bankers in Singapore say the MAS has come a long way in changing its attitude toward new types of product. Citibank recently issued the largest-ever single Singapore dollar negotiable certificates of deposit, of S\$100m, at coupon rate of 6.75% with a five year maturity.



Traders on the highly automated floor of the Tokyo Stock Exchange: it seems inevitable that the sheer volume of financial activity in Tokyo will eventually grow to a point where it will tower over Asia's other centres

Financial liberalisation is not necessarily going to spell the death knell for Asia's other financial centres. Hong Kong and Singapore are likely to see further growth as key links in the global trading clock.

compete fiercely for business, lower operating costs, and the important regional, as opposed to global, roles that both Singapore and Hong Kong will in any case continue to play.

Tokyo is expected to proceed with plans for an offshore market in Tokyo this December. The market will involve a fairly rigid separation between offshore and domestic activities.

Although withholding tax on interest and dividend rate controls will not apply, local municipal taxes will. A variety of other restrictions will continue to apply and will likely make the market less attractive to it than others in Asia.

This is not to say that Tokyo will never be in a position to

Kong's future out of a belief that China will see the advantages of having a modern, international financial dynamo on its shores, and will make efforts to keep it going and to tap into it even after it takes over the colony in 1997. (Although the opposite argument—that "China will destroy it"—is also heard.)

Hong Kong's "regional" role as the link between China and the rest of the world seems sure to guarantee that a critical mass of local business will continue to help support a broader range of activities. Hong Kong's legal system and English speaking background are also a plus for the international community.

These same advantages apply for Singapore. A banker in

that will help foster the growth of these markets in order to help Singapore improve its facilities for the securitisation of debt.

Singapore's role as a financial centre is assured partly

because of its location at the centre of Southeast Asia, where no nation can compete except in purely local terms. Although the region is currently in recession, and banks have been stung, the region is recognised

to have rich potential for development. Tokyo, of course, has the ability to pull the rug out from under much of what goes on in Singapore and Hong Kong if it makes a real effort to compete

on all grounds—tax, costs, and expertise. But for the foreseeable future, most observers are betting that will not happen.

Steven Butler

The packed trading floor of the Tokyo Exchange

Impact of economic liberalisation

Important moves towards regional integration

A TREND throughout the Pacific Rim is coming of age. Governments in the region are reducing their involvement in managing economies, pulling down trade barriers, and allowing private financial institutions to determine investment flows, with ever greater foreign involvement.

It is a curious trend because it appears not to stem from a single cause. It comes from a set of disparate developments in different nations, but the outcome has been similar and self-reinforcing.

The resulting increased opportunities for trade and investment both within and across national boundaries are gradually forging an integration among the region's economies that in turn is bolstering a sense of regional identity.

The trend is an historic one, and if a common thread exists, it is the passing of the post-World War II, post-colonial era, along with the belief that only centralised economic control by a strong nationalist government is capable of eliminating the widespread poverty that existed in Asia just several decades ago, and of spurring national economic development.

In some cases the very success of strong government direction over the economy, as in South Korea and in Japan, appears to have made government regulation redundant and counterproductive.

In Singapore, it took a wrenching economic downturn, the first in the island-state's 20-year history of unimpeded growth, to produce admissions that the Government did not indeed have all the answers.

The Singapore Government is now trying to clear away a clutter of unnecessary red tape and plans to divest much of its corporate holdings.

traded on the first day of operation was indeed a small beginning, but the opening of a stock exchange is just the latest striking symbol of economic liberalisation in China.

Since the death of Mao, almost exactly 10 years ago, China has progressively turned away from a centralised, Stalinist model of economic development and has provided a shock for the world on at least an annual basis—free markets, decollectivisation of agriculture, ever more liberal rules for foreign investment, and, now, legal trading of company shares.

China's pragmatism has been matched elsewhere in the region. China and South Korea, locked in bitter hostility since the Korean War over 30 years ago, have quite recently become major trading partners, and the first experimental South Korean investments in China have already begun.

Even trade between China and Taiwan has flourished, and trade with Indonesia has resumed after a long, bitter break in relations.

China has not turned completely from socialism, and the economy is still wracked by price distortions and severe imbalances, but beside the planned economy is a private sector that is growing rapidly, and increasingly bold management experiments are being tried in the state sector.

These have lifted the Chinese economy from the stagnation of Mao's late years and the trend now appears irrevocable.

The changes in other nations, while less striking, are having a similar effect. The liberalisation of the Australian banking sector at the end of the last decade has resulted in a rush of new foreign entrants into that market.

banks have fanned out through the Pacific Rim, largely in pursuit of trade-based business. This year alone Westpac, the most aggressive of the Australian banks, has established branches in Seoul and Taipei, and floated a share issue on the Tokyo Stock Exchange.

Some of the impetus for change has come from the US, which has acted as a battering-ram to force concessions from the region's success stories—particularly Japan, Korea, and Taiwan.

US pressure has led all these governments to quicken the pace of trade liberalisation, and has prompted further opening of services sectors to the outside.

The changes in Korea, while gradual, are none the less sweeping in scope. In 1987, the Government plans for the first time to open the stock market to non-resident foreigners. This comes at a time when the Government is gradually stepping back from its hands-on management of the economy in trying to strengthen the commercial banks so they can act independently, and is trying to foster growth of small companies that can compete on equal grounds with huge conglomerates that were the product of the past decade of tight Government control.

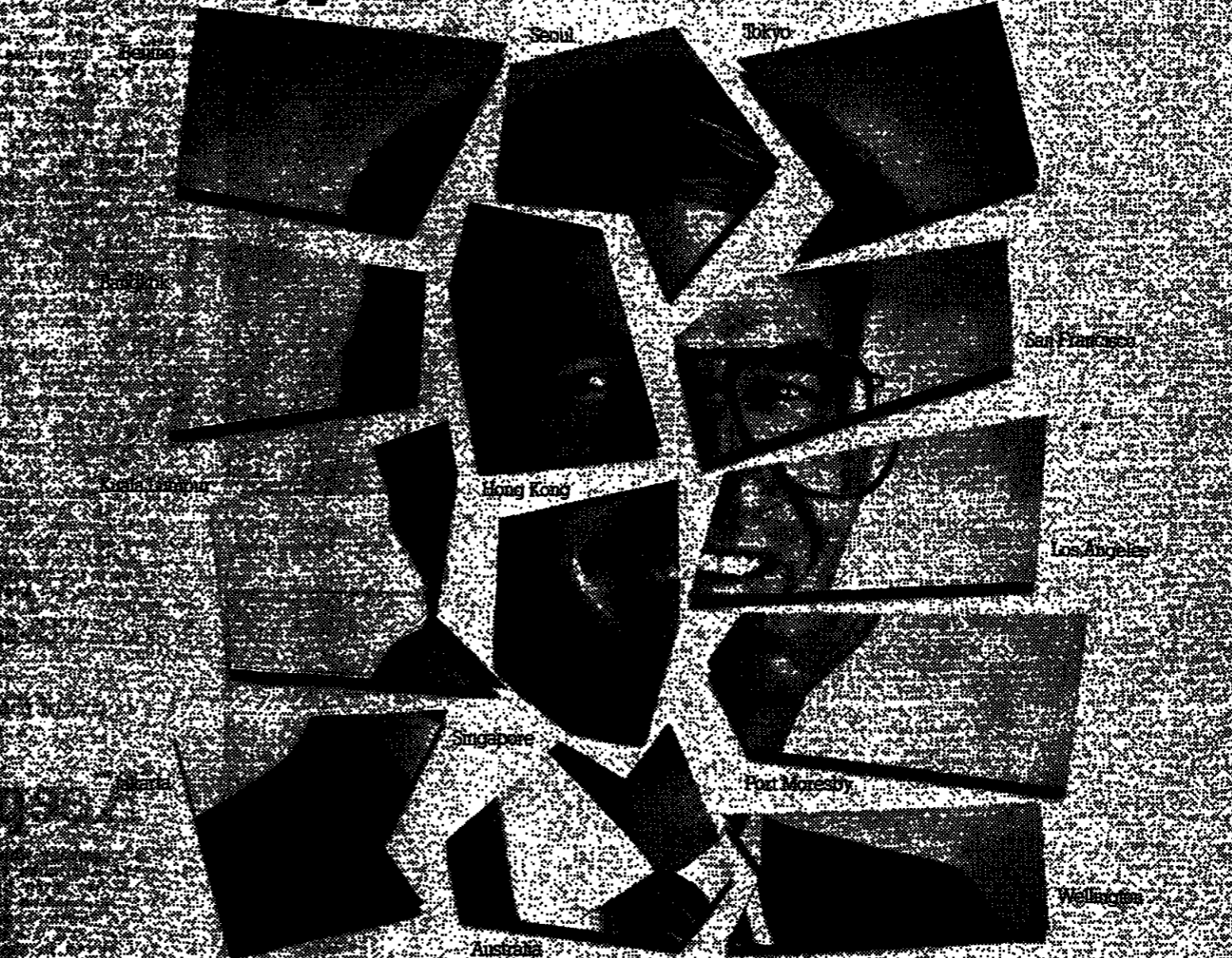
In the Philippines, the Government is divesting massive corporate holdings built up under the Marcos era, and freeing the banking sector, and this has produced a flurry of interest in, and the first really in years, on the Manila stock market.

The realisation of a Pacific Rim economic community is a very long way off, despite a spate of scholarly and Government-sponsored conferences that bank the idea.

But the Pacific Rim has come a long way. Less than a decade ago the region's economies were typically insular and highly regulated. Now separate, uncoordinated moves toward economic liberalisation have set nearly all nations in the region in the same direction and have made integration a reality.

Steven Butler

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THE PACIFIC RIM 7

Transpacific Aviation

Period of major expansion

"THOUGH we benefit as an airline from the British connection, from Hong Kong it is inevitable that we look east towards the United States," says Mr Rowland Colbold, Cathay Pacific's marketing manager. "The trouble is, the routes are long, competition is fierce, and yields are low."

Like other major cities along the western rim of the Pacific, the powerful growth in trade and investment flows across the Pacific has led to major expansion of transpacific air traffic. In 1985 alone, there was a 16 per cent growth in seat availability across the Pacific.

Not only have flights along the main artery linking Japan with the US continued to grow, but traffic to mainland China, Korea, Hong Kong, Taiwan and South East Asia has burgeoned as businessmen have turned to the Pacific to replace those in the lagging economies of Europe and the Middle East.

Four airlines dominate the Pacific air routes—United Airways (which recently took over Pan Am's Pacific routes) and Northwest Orient of the US, and Japan Airlines and All Nippon Airways of Japan.

These airlines together account for 83 per cent of the 74,000 seats available weekly across the Pacific, and provide direct evidence of the dominance of traffic between Japan and the US. In 1985, there were 237 flights a week between the US and Japan.

But the new-generation Boeing 747s, with their enhanced long-haul capabilities, have brought a number of other Asian carriers into the competition for transpacific passengers. Cathay Pacific, based in Hong Kong, now flies non-stop five times a week to Vancouver, travelling via San Francisco, while Singapore Airlines now operates 15 flights a week via Tokyo to Los Angeles.

Full-service airlines, Thai Airways, OAC from mainland China, as well as carriers from Korea, Taiwan

and Malaysia, are now operating directly to the US. Almost all have in the recent past added new routes, or are planning to introduce them in the near future. Northwest Orient, which currently operates 123 flights weekly across the Pacific, is focusing expansion efforts on South Korea, while Japan Airlines has recently begun flights to Atlanta as its sixth US gateway.

Singapore Airlines hopes to begin flights to Vancouver, Chicago and New York, while Thai Airlines has enhanced its services to Seattle. Cathay Pacific, which only began flying to North America in May 1983, has recently boosted frequencies to Vancouver and San Francisco, but plans no major additions unless its new long-haul 747-400 comes into operation in 1988.

Pattern develops

In a pattern that is perhaps typical of a number of major Asian airlines, Cathay has emerged from a point in 1980 when it operated services only inside Asia to a point today where over 80 per cent of earnings are accounted for by long haul routes—to Europe, Australia and North America. London remains its main long haul route, but it is most likely that this will be the case in five years from now.

"Transpacific traffic has to grow in importance," says Mr Colbold. "The US population in Asia is bigger than the European population, and trade and investment flows between Asia and North America are much greater. There is no doubting the fact that the US exerts much greater influence in Hong Kong than Europe does—in spite of the benefits we get from the British colonial connection."

Further expansion on transpacific routes is likely to come early in 1989, when the Boeing 747-400 comes into operation. This aircraft, which combines the seat capacity of the stretched upper-deck Boeing 747-300

with the long-haul capabilities of the 747-300, is expected to revolutionise the economics of transpacific operations.

This year is likely to be a better-than-usual year for carriers across the Pacific. A surge in tourism westward from the US, largely linked with worries about terrorism in Europe, has boosted aircraft capacity, as has the world expo in Vancouver, and the Asian Games in South Korea.

But most Asian carriers are nervous about the emergence of the powerful United Airlines as a major competitor in the Pacific. United has recently declared its intention to double its transpacific traffic by 1991. Much attention is evidently being focused on South Korea and Taiwan as well as Japan and Hong Kong.

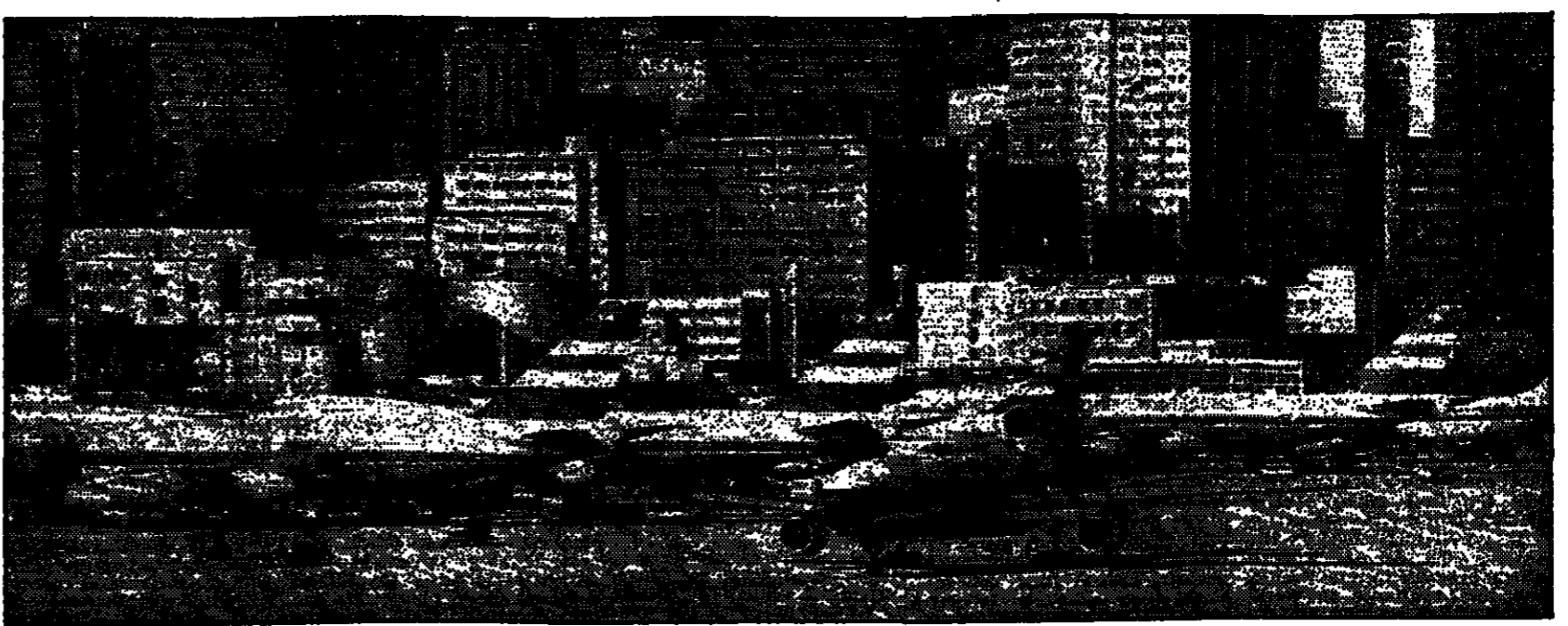
If this is achieved at the expense of other airlines, then the balance sheets of some carriers are going to look rather sick two or three years from now.

Many carriers are nevertheless predicting passenger growth of over 16 per cent a year over the next few years—in part because of events like the Olympics in Seoul in 1988, but largely because of the strong economic growth still being recorded among the east Asian economies.

The continuing emergence of China as a trading partner and a destination for foreign investment under the open door policies of Deng Xiaoping is also likely to provide a strong stimulus for gateway links to Tokyo and Hong Kong.

Even if traffic growth is shared equally, it appears likely that competition will remain fierce, and route profitability low. Mr Colbold at Cathay probably reflects the views of many competitors when he notes: "Opening up our routes to Vancouver was easier, because we were in competition with only one other carrier. Going to the west coast of the US was a matter of joining the rat race with everyone else."

David Dedwell



Cathay Pacific aircraft in Hong Kong—one of four airlines that dominate the highly-competitive transpacific aviation business

Communication Systems

Big investment in new networks

THE NEWLY-industrialising countries—the NICs—such as South Korea, Taiwan and Hong Kong regard modern telecommunications as essential to their rapidly developing economies. Despite jittery world markets, the NICs continue to invest in the most modern communication technologies, including underwater fibre-optic cables, to modernise their communication systems.

So in June, telecommunications utilities in Japan, South Korea and Hong Kong gave the go-ahead to construction of Asia's first long-distance underwater network.

The undersea "light highway" to stretch between Hong Kong and landfalls near Seoul and Tokyo, will cost US\$200m and link-up with other fibre optic cables crossing the Pacific Ocean to the United States.

This heavy investment is expected to pay at least five times the existing telecommunications capacity and the clear, uninterrupted communications essential for electronic data transmission, and video conferencing which increasingly underpins modern business.

But the economic slump in the Asian region has forced some governments to slow down investment in reworking their telecommunications systems. This trend threatens to open up an even larger development gap

between the industrialised NICs in the North, and more agriculturally based economies to the south.

For instance, Indonesia's economy has been one hit especially hard by the fall in oil prices, and has had to postpone putting out to tender a contract to install digital switches worth \$1.2bn.

Grasme McDonald, managing director of Northern Telecom ASEAN says "financing and prices are more important" than acquiring the latest technology everywhere in the region except Brunei and Singapore.

"For the first time," he says, "customers are willing to forgo a great deal technologically for a very small price differential." Even Singapore, locked in a fierce battle with Hong Kong to become the foremost financial centre in the Pacific Rim, has temporarily put on hold plans, which would have cost \$200m, to substantially extend local services. Singapore favours, for the time being, simply renewing a supply agreement with Fujitsu which is not so technologically ambitious.

Despite this setback the Singapore telecommunications system will probably remain the most advanced in Asia outside of Japan. Singapore Telecoms has installed, with Northern Telecom equipment and help,

one of the most sophisticated switching systems outside of North America. Telecoms has just signed a \$580m deal with AT & T to expand Singapore international connections, with advanced digital equipment.

Telecoms spends an average of \$600m a year on upgrading its sophisticated services which already offer an electronic mailbox service similar to Telecom Gold, a travel information and reservation service for travel agents and airlines.

As a result of all this expenditure, Singapore has more telephones per head of population than anywhere else in the Pacific Rim, 100 times the number in Indonesia.

"It is easier to phone Jakarta using CB radio," comments one telecommunications expert.

Companies setting up in the Pacific Rim, whether North or South, face one other major problem in addition to regional differences in service. Sandra Sully, management information services director for National Semiconductor, says: "The cable circuits between the Far East and the United States are almost used up" and satellite communication can be unreliable.

This difficulty will be eased by the recent inauguration in

Singapore of a \$396m underwater cable linking Singapore to Indonesia, Sri Lanka, Dibrout, Saudi Arabia, Egypt, Italy and France. The new fibreoptic network linking Hong Kong, Korea, and Japan with the West Coast of the United States should be in place in 1988.

However, the cable will not reach Singapore until the 1990s, "too late," for some multinationals already based there. According to National Semiconductor's Sandra Sully, her company maintains its commercial edge by computerising as much of its activities as possible. This includes keeping close track of operations around the world through a massive computer hookup operating through local telecommunications systems.

The effectiveness of this system depends on rapid transmission of great volumes of customer data, factory reports and electronic mail.

So as co-ordinator in charge of facilitating such a service, Sully has been particularly frustrated at being denied access to satellite transmission for the two National Semiconductor factories manufacturing integrated circuits in Malaysia. The Malaysian telecoms authority, she says, has also refused permission to use equipment which would double

the speed of sending data down the line, and thus halve National Semiconductor's telecommunications costs.

"These are our two largest factories in the region," says Sully. "We are a very large employer," and yet "it is incomprehensible to us why the Malaysians are so reluctant" to provide better service.

However, the case of National Semiconductor in Malaysia illustrates a dilemma not faced by the more industrialised NICs up north. With few multinationals based in Malaysia it may be difficult to justify investing huge sums in upgrading the service, especially during the current recession which may see cuts in government spending of as much as 70 per cent in every department announced next month.

The solution, for Dr Arthur Owen, of the American consulting firm, Arthur D. Little, is to "liberalise" and "privatise." A more effective telecommunications infrastructure will be put into place only "when the telecommunications administrations are free to be more market-oriented and to adopt methods of management more appropriate to running a commercial high technology business."

Stephanie Yanchinski



● DIVERSITY in exports—from cut flowers to wool. Above, growers are led on an Air New Zealand flight for Japan, which buys the largest share (31 per cent) of New Zealand's flower exports. Orchid sales alone amount to NZ\$4m a year.

● Horticultural exports from New Zealand are now worth more than NZ\$700m a year. Kiwifruit remains the glamour crop of the industry. Its phenomenal success in world markets has made several millionaires in New Zealand and it has now become the country's top export crop, earning NZ\$220m in the year up to March 1986.

● Right: buyers at the Wilt Wool Store, auction, just outside Auckland. The diversity of the Pacific Rim's exports is indicated by the fact that it produces 61 per cent of the world's wool, 87 per cent of natural rubber and 94 per cent of all natural silk.

The Asia-Pacific region has long been too vast to be a real geo-political or economic entity. Now, due to the impact of Pacific Rim industrialisation and the distance-amplifying capacity of modern communications, it is emerging as potentially the most dynamic economic region in the world.

There is an increasing body of opinion that the region will play the same central role in the 21st century—or sooner—as did Europe and the Atlantic during the Industrial Revolution and in the 20th

century. Pointers to the emergence of this dynamic focal point of global economy are:

● The 37 countries and island states in the Asia-Pacific region contain 2.4bn people—more than half the world's population—and produce almost half its total wealth.

● Since 1975, Asia-Pacific countries have between them accounted for over half the world's total economic growth.

● General Agreement on Tariffs and Trade (GATT) figures show in 1984 that trans-Pacific trade surpassed trans-Atlantic trade for the first time.

● GATT figures on the 20 leading exporters and importers for the same year estimate six Pacific Rim countries which had not featured on the list in 1973. They were the People's Republic of China, Republic of Korea, Taiwan, Hong Kong, Singapore and Mexico.

When other areas of the world experienced recession in the 1970s and '80s due to soaring oil prices, inflation and sluggish growth, the East Asian countries of the Pacific region went against the trend and became economic pacesetters.

Organisations such as the Pacific Basin Economic Council (PBEC) and the Pacific Economic Co-operation Conference (PECC) both of which were formed in the late 1960s, have helped create the environment of freer trade that now exists in the region.



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THE PACIFIC RIM 8

Role of the Superpowers

Delicate balance prevails

FOR EUROPEANS and no doubt most Americans, the hurdle prospect of a third world war gains considerable immediacy not just because it would be a nuclear conflict but also because it is likely to break out in the European theatre.

That, at least, is the received wisdom, even making allowance for the widely canvassed alternative possibility that a local conflict in a strategic area like the Gulf might equally escalate into a global affair.

Less well understood in the west is the delicate balance which prevails in the Pacific, and its importance to world security. Yet, as any cursory examination shows, this massive "lake" has all the ingredients necessary to turn superpower rivalry into something much more frightening.

In the first place, the Pacific is an area where the two big superpowers confront each other directly. Already, two bloody land wars in the region since the Second World War, in Korea and Vietnam, have entailed superpower involvement, while other Asian conflicts have occasioned some sort of superpower intervention. There is every reason to suppose this will continue.

Secondly, the world's largest armed forces are all in countries with interests in the Pacific. Apart from the US and

the Soviet Union, they include, most importantly, China and Vietnam, but also North Korea, South Korea and India.

Thirdly, the superpower balance is asymmetrical compared to Europe. The US presence is predominantly naval, and conducted through numerous bilateral arrangements with countries like South Korea, the Philippines and Australia, rather than more complicated and less inhibiting Nato-type alliances.

The Soviet presence, on the other hand, depends more on land-based forces, most of them nuclear rather than conventional — although latterly Moscow's pacts with Vietnam have given it greater air and naval penetration of the region.

According to some analysts, the 1980s have seen a vigorous US military push in the Pacific, reflecting the Reagan Administration's perception of the country as a "Pacific nation" and of the Pacific basin, with all its economic potential, as the region of the future.

On this analysis, the introduction of nuclear weapons like the Tomahawk sea-launched cruise missile and the submarine-based Trident missile system represent a determined attempt to maintain nuclear and conventional superiority over the Soviet Union with the aim

of winning a global or theatre nuclear war against Moscow.

Against this, Washington hardliners maintain that there has been a growing Soviet presence in the region over recent years and that this must be countered. Apart from its home-based nuclear weapons, which particularly worry countries like China and Japan, they point to the Soviet Union's Pacific fleet, which is said to have expanded its reach, and they say Moscow's diplomatic and commercial efforts are even more significant.

Just how seriously this is viewed is difficult to gauge. Certainly it would be surprising if Washington was not concerned at the Soviet effort in the region, both in the north and the south Pacific.

Overtures

In the north this has included clear overtures to Peking which, if they succeed in repairing the long-standing Sino-Soviet rift, will alter most perceptions about east and south-east Asia. It has also included the prospect of improved Soviet relations with Japan. Asia's economic giant.

At the same time Washington has been constantly worried about tensions between North and South Korea and displayed growing concern over the Communist guerrilla insurgency in the Philippines.

No clear links have been established between the Filipino rebels and Moscow (or Peking for that matter), but the insurgency poses a threat to the US's strategically important air and naval bases in the country, which have long been a domestic political issue in the Philippines anyway.

The South Pacific region, for its part, has seen a concerted Soviet effort to reach diplomatic, cultural or commercial agreements with some of the many island states in the region. A controversial one-year fishing agreement with Kiribati (formerly the Gilbert Islands) shocked many. Fiji has held talks with the Soviets, and Vanuatu (formerly the New Hebrides) has also received approaches.

Moscow's own general perceptions were spelled out most clearly at the end of July by Mr Mikhail Gorbachev, the Soviet leader, in a speech delivered in Vladivostok. He used the occasion to remind the world that the Soviet Union was an Asia-Pacific power as well as a Euro-Atlantic one.

As if to allay Australian fears, Mr Eduard Shevardnadze, the Soviet foreign minister, is said to have told Mr Bill Hayden, the Australian foreign minister in New York in September, that Moscow would do nothing to incite superpower rivalry in the Pacific region.

The US has also tried to play down its known worries. At a recent conference in Washington, Mr Gaston Sigur, US assistant secretary of state for East Asian and Pacific affairs, said Soviet attempts to expand its commercial and diplomatic contacts among the Pacific island nations had not alarmed or distressed Washington and had not been well received by the countries concerned.

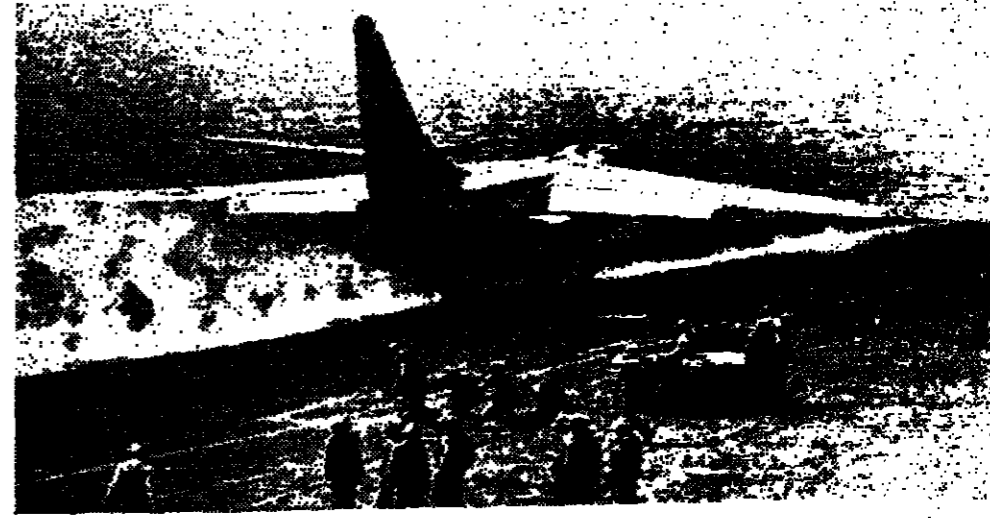
One clear sign of US concern, however, is its recent commitment to establish diplomatic ties with Vanuatu as part of a wider push to improve relations with the Melanesian countries.

Another is the attempt to negotiate a fishing deal between the US and countries of the South Pacific forum, a grouping of Australia, New Zealand and 11 South Pacific island states.

Indeed, many believe it is the failure of the US fishing industry to reach an understanding on access to these countries' tuna resources which has fuelled superpower rivalry in the region.

In the South Pacific, two other factors have also assumed importance in the strategic equation. One is the effective collapse of the Anzus alliance, the 1951 defence treaty which linked the US, Australia and New Zealand.

This followed the decision of the Labour government led by prime minister David Lange



The 1980s have seen a vigorous US military push in the Pacific, say analysts. Above: A landing on a US aircraft carrier during military exercises

not to allow nuclear-armed or nuclear-powered ships into New Zealand ports.

The US, as a matter of defence policy, refuses to reveal whether particular ships are carrying nuclear weapons, and this is what lies behind the erosion of Anzus. After protracted exchanges the US announced in July that Washington and Wellington had to part company.

The net effect in strict military terms has yet to be demonstrated. A leg of the tripod has vanished, and the US feels western security has been weakened. New Zealand says its defences have not been impaired. Australia has been left in an awkward position between two friends.

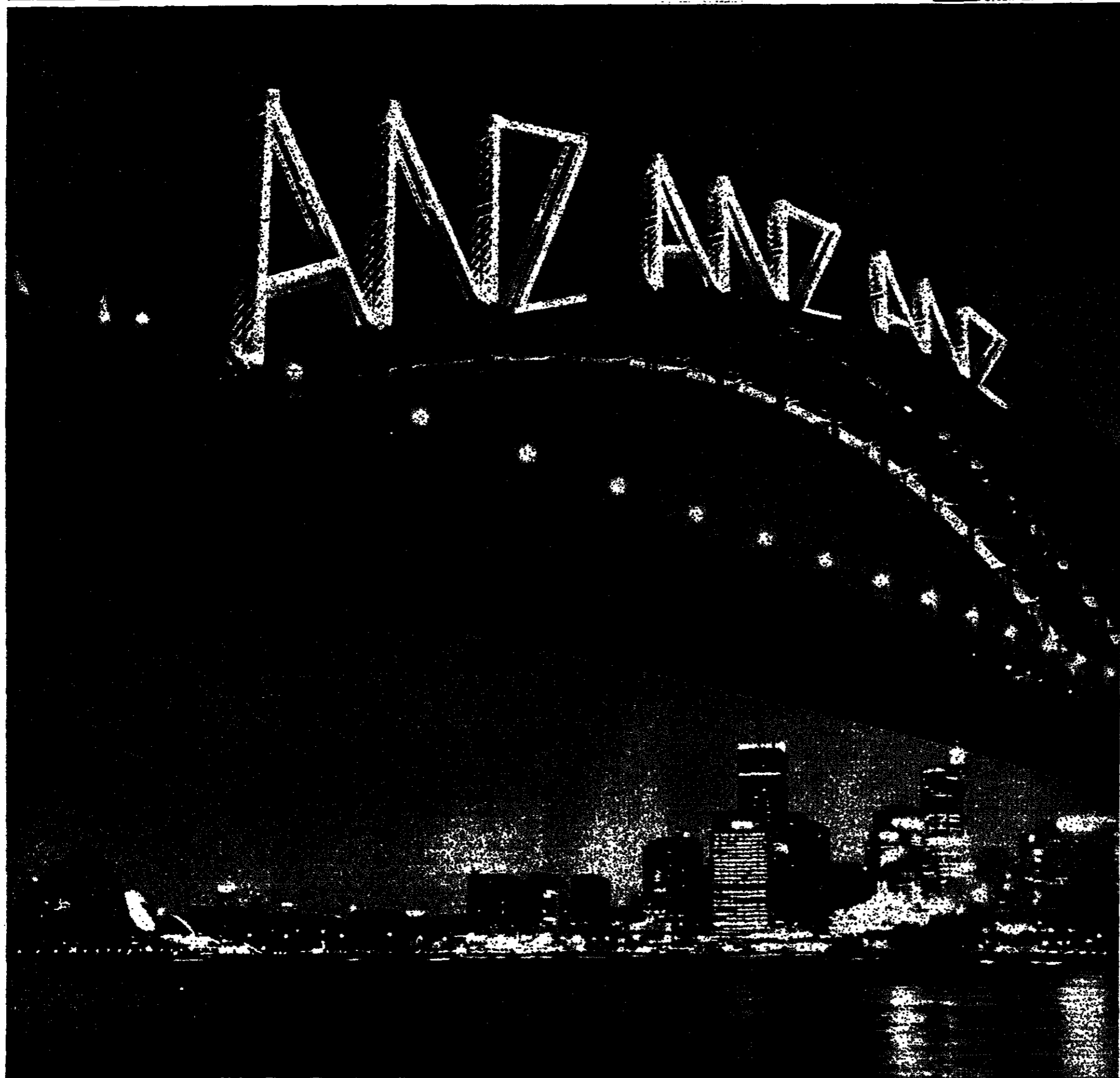
concerns the presence of another nuclear power in the region. France, Paris has crossed swords with Wellington over its nuclear weapons testing in Mururoa atoll — a clash demonstrated most spectacularly in the Rainbow Warrior affair, in which French agents destroyed the anti-nuclear ship belonging to the protest group Greenpeace as it lay in a New Zealand port.

The countries of the South Pacific forum have meanwhile agreed that their region should form a nuclear-free zone. Some differences remain, but the idea has aroused interest in other parts of the world and, perhaps predictably, angered France, which has refused to participate.

Just as significant are the complications springing from France's policy towards its colonies in the South Pacific, and in particular New Caledonia. An apparent change of policy on New Caledonia's independence by the government of Jacques Chirac has aroused the ire of Australia as well as the South Pacific island nations.

In the big strategic picture, such developments probably count for less in determining the role of the Pacific theatre in global peace than direct relations with important countries like China and Japan. To most analysts, it is these which will ultimately determine the chances of a nuclear holocaust.

Chris Sherwell



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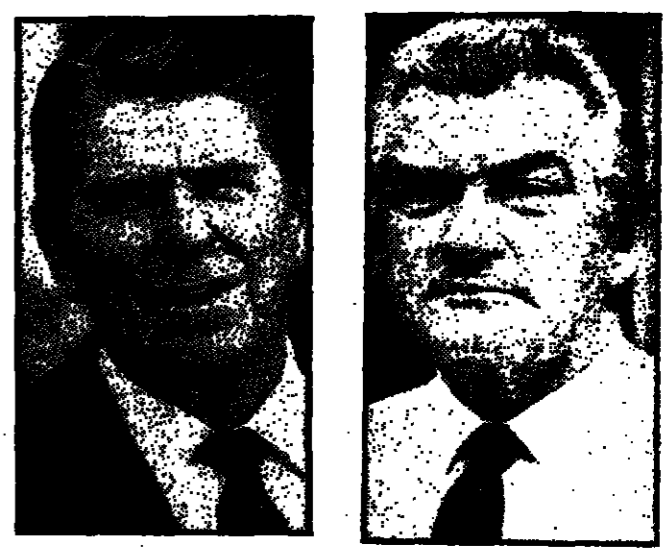
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President Ronald Reagan of the US and Prime Minister Robert Hawke of Australia will use a satellite link-up for the opening of the Pac Rim symposium in Perth on Sunday, November 16 1988

Hopes for a new economic alliance

A PACIFIC region economic community, similar to Europe's common market, could result from the important PacRim '88 Western Australia, in November conference to be held in Perth, Western Australia, in November.

This is the view of the Premier of Western Australia, Mr Brian Burke, who believes that if the positive aspects of the European Economic Community could be encompassed in a Pacific trade alliance it would be a great boost for Australia's future.

Many prominent international businessmen and government representatives are attending PacRim, which is shaping up as one of the most important economic conferences held in Australia. Mr George Bush, US Vice President, has indicated the event. PacRim will explore the opportunities presented to Pacific Basin countries by the shift in world economic power towards the Asia-Pacific region.

About 300 delegates and speakers have already confirmed their attendance at the conference, which will be opened by President Reagan in a satellite hook-up with Washington.

"PacRim is a brilliant spin-off from the America's Cup defence, which already is bringing thousands of noted people to Perth," says Mr Burke.

"West Australian businessmen will have an ideal opportunity to meet world business and industry leaders who are keen to expand the economy of the Asia-Pacific region."

"There is a real chance that a new economic alliance could result from PacRim. A common market or similar arrangement would be of enormous benefit to Australia."

The chairman of PacRim, Mr Gary Pearce, said eleven nations in the Pacific region had confirmed that they would be operating national suites at the conference.

The suites would be used by delegates and businessmen to explore on-going trade and investment possibilities.

PacRim is presented by the Western Australian Development Corporation, with the aims of promoting trade, investment and finance opportunities between Pacific Rim countries.

Arena of growth

CONTINUED FROM PAGE 1

The transition of power, in the next few years, from one generation of leaders to another in Singapore and Indonesia carries some risks of instability.

There is no guarantee that Deng's reforms will survive him in China, although the sheer power of consumer politics may have set in motion an irreversible process of change. Despite the flexibility shown by the Chinese leadership over the issue of Hong Kong after British sovereignty ends in 1997, Peking's claim to Taiwan could still prove a flashpoint in the future.

Half a million troops still face each other across the cease-fire line in Korea and it is always possible that the growing military rivalry between the US and the Soviet Union in the vast waters of the Pacific could provoke a confrontation, intentional or otherwise.

These are unlikely scenarios, however. What has governed the broad sweep of events around the Pacific since the end of the Second World War has been enterprise and pragmatism. There is no reason to suppose that this will change in the foreseeable future.



Mr Yasuhiro Nakasone, the Prime Minister of Japan, uses a preferred phrase of "realistic gradation" in discussions on cohesive relationships and co-operation between Pacific Rim nations. Japan has, however, been a more than willing partner in the loosely-structured organisations such as the Pacific Basin Economic Council which unify trade arrangements.